CIPFA

The Role of CFOs in Policing

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The **Chartered Institute of Public Finance and Accountancy** (CIPFA) is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, major accountancy firms and other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA leads the way in public finance by standing up for sound public financial management and good governance.

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The Role of CFOs in Policing

This statement contains principles and good practice that are likely to be applicable to chief financial officers (CFOs) in any UK organisations with responsibility for policing. CIPFA therefore expects such CFOs and organisations to have to regard to the principles in this statement.

However, due to the unique governance arrangements of local policing in England and Wales, this statement specifically refers to the roles of the CFO of the police and crime commissioner and the CFO of the chief constable, and the relationships involved.

The chief financial officer, also known as the chief finance officer or CFO:

- is a key member of the leadership team, helping it develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest
- must be actively involved in, and be able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and aligned with the organisation's financial strategy
- must lead the promotion and delivery of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver those responsibilities, the chief financial officer must:

- lead and direct a finance function that is resourced to be fit for purpose
- be professionally qualified and suitably experienced.

Forewords

Foreword from Rob Whiteman, CIPFA

The Role of CFOs in Policing builds on **CIPFA's Statement on the Role of the CFO in Public Service Organisations** and applies the principles and roles set out in that document to the police sector. The CFO occupies a critical position in any organisation, holding the financial reins of the business and ensuring that resources are used wisely to secure positive results. Achieving value for money and securing stewardship are key components of the chief financial officer's (CFO's) role in public service organisations, a duty enshrined in legislation for the CFO in local government and police.

The principles and good practice set out in this statement are likely to be applicable to all UK organisations with responsibility for policing and CIPFA expects them to have regard to them. However, due to their unique governance arrangements, the statement specifically describes the roles and responsibilities of CFOs for police and crime commissioners and for chief constables in England and Wales. This revised edition is consistent with the **Role of the Chief Financial Officer in Local Government,** which was published by CIPFA in 2016, and takes into account the latest developments in the police sector.

In order to support CFOs in the fulfilment of their duties and to ensure that local authorities have access to effective financial advice at the highest level, CIPFA has introduced a 'comply or explain' requirement in the annual governance statement (AGS).

Rob Whiteman
Chief Executive
CIPFA

Foreword from Paddy Tipping, APCC

As Police and Crime Commissioner (PCC) for Nottinghamshire, and chair of the Association of Police and Crime Commissioners, I have a great respect for the role of PCCs' Chief Financial Officers (CFOs).

PCCs rely on their CFOs to provide valuable insight, support and challenge on a whole range of financial and governance matters. The CFO is an integral part of the police and crime commissioner's mandate for holding the chief constable to account, by helping to ensure that value for money is delivered from police resources. The CFO therefore assists the PCC in their oversight of their local police force, but must also work closely with the chief constable's CFO. Relationships are key in this arrangement and integrity is imperative in ensuring mutual trust.

The ultimate goal of policing is safer communities and the PCC is democratically elected by the local public to hold the force to account and to represent them on policing and crime matters. The PCC's CFO also has a role to play in ensuring taxpayers' resources are being managed effectively and properly and, indeed, has a specific fiduciary duty to local taxpayers enshrined in case law.

I welcome this document from CIPFA, as the professional institute for public finance, which applies the principles from the overall framework to the specific arrangements of the policing sector.

Paddy Tipping
PCC for Nottinghamshire
Chair of Association of Police and Crime Commissioners

Foreword from Sir David Thompson, NPCC

As a Chief Constable and holding the National Police Chiefs' Council (NPCC) portfolio for finance, I see first-hand the contribution made by CFOs across UK policing. The CFO is the only statutory post reporting to the chief constable, and this role is critical in advising on financial matters and the financial and resourcing implications of strategic and operational decisions.

It's important that the CFO remains as a key member of the leadership team, and is positioned so as to provide informed and trusted advice on financial and governance matters. Forces are structured in different ways and the CFO often reports to another role (such as the DCC) within the structure but the CFO still needs unfettered access to the chief constable to provide advice on financial issues. In the ever-evolving world of policing, the role of the CFO is often complex and involves responsibility for other related functions and I'm pleased that CIPFA have recognised this within this document.

Sir David Thompson
Chief Constable for West Midlands
Chair of National Police Chiefs' Council Finance and Resources Committee

Introduction: the governance of local policing in England and Wales

The legal framework

The **Police Reform and Social Responsibility (PRSR) Act 2011** established new policing arrangements with a police and crime commissioner (PCC) and a chief constable operating as separate corporations sole. These arrangements are unique in local government in England and Wales.

The PCC is individually accountable to the electorate for the totality of policing in the force area. More specifically this means:

- securing the maintenance of an effective and efficient police force
- holding the chief constable to account
- appointing and if necessary dismissing the chief constable
- preparing the police and crime plan
- setting the budget and precept
- commissioning
- making community safety and victims' services grants.

The chief constable is responsible for:

- delivering effective and efficient policing in the area
- preserving the Queen's peace and enforcing the law through their officers and staff, who are under their direction and control
- ensuring the force is able to deliver its obligations under the strategic policing requirement
- having regard to the requirements of the PCC as set out in the Police and Crime Plan and guided by other statutory documents.

In matters of operational independence the chief constable is answerable to the law and their position is constitutionally established. The chief constable is therefore responsible for all operational policing matters and the support provided to operational policing by officers and staff within their organisation.

The PCC and the chief constable are both established by statute as separate corporations sole with significant legal, accounting and audit consequences. The **Policing Protocol Order 2011** set out the high-level financial responsibilities of the PCC and the chief constable. The PCC holds the police fund and is ultimately accountable to the public for managing the finances. The chief constable is responsible for managing funds provided to the force by the PCC.

The PRSR Act 2011 requires the PCC to appoint a chief executive and a chief financial officer (CFO). The Act also requires the chief constable to appoint a CFO. This arrangement is again unique in the public sector. The Act and the protocol establish the principles within which the two CFOs will operate. While the PCC issues a single budget, the perspectives of the two CFOs are significantly different.

The principal aims of the PCC's CFO are to:

- translate the PCC's plans and priorities into a viable medium-term financial strategy
- ensure that funding is available from grants, precepts and reserves
- establish an appropriate framework for financial accountability.

The principal aims of the chief constable's CFO are to ensure that:

- the chief constable has the resources to fulfil their strategic responsibilities from the PCC and within the strategic policing requirement
- detailed resource and financial planning is undertaken to underpin the medium-term financial strategy
- the policing risks and threats managed by the chief constable are reflected within the medium-term financial strategy
- the budget allocated to the force is managed and monitored effectively
- there are sound efficiency plans to deliver value for money.

Acknowledging these principles will ensure that the two CFO roles operate in a complementary way, to the benefit of both the PCC and the chief constable.

The effectiveness of the overall framework depends on establishing:

- clarity around the roles, responsibilities and accountabilities of the statutory bodies and their appointed office holders
- governance arrangements that recognise those individual – and sometimes overlapping – roles, responsibilities and accountabilities
- sound working relationships and protocols, to create and maintain an environment that facilitates achievement of the PCC's and the chief constable's objectives.

Under Section 17 of the PRSR Act 2011 and Section 39a of the Police Act 1996, the Home Office publishes a financial management code of practice for police forces.

The latest version, **Revised Financial Management Code of Practice for the Police Forces of England and Wales (and Fire and Rescue Authorities created under Section 4A of the Fire and Rescue Services Act 2004) (FMCP)**, was published in July 2018. This document outlines the basic requirements of financial governance. It defines the roles and responsibilities of the two CFOs on key areas of finance and governance. The Code includes the requirement for the PCC and chief constable to undertake an effective internal audit of their affairs and to establish an independent audit committee. It also sets out a requirement for each PCC to publish their reserves strategy, with details of what it should include, and states that the PCC's CFO should send the Home Office a copy of their reserves strategy each year.

Police and crime panels were created with specific powers to hold the PCC to account and are appointed under paragraph 28 of Part 1 and Schedule 6 of the PRSR Act. The local authorities across the area of the force are required to work together to establish and maintain the panel. Its role is both to support and challenge the PCC. It has responsibility to review draft police and crime plans and the PCC's annual report. It can also make reports and recommendations. The panel has specific responsibilities for reviewing the proposed level of the precept (including a power of veto) and the PCC's appointment of the chief constable. The CFO to the PCC provides information to enable the commissioner to respond to panel requests for information, and is not a formal adviser to the panel.

Working relationships

The PRSR Act 2011 and the FMCP introduced fundamentally new arrangements in accountability and governance arrangements for local policing. The Act sets out a broad framework, and the PCC and chief constable are responsible for designing working arrangements that operate effectively within the framework. These arrangements include the roles of the two statutory CFOs.

The elected commissioner is a powerful individual, but at the same time the chief constable is established by statute as a separate corporation sole, with significant legal, accounting and audit consequences.

Financial governance structures are important, but effectiveness also depends on the PCC, the chief constable and their CFOs establishing sound working relationships. This represents a particular challenge for the CFOs. Without clarity and agreement on their respective roles, and a commitment to an open and mutually supportive relationship, tensions could develop, with implications for the effective achievement of the CFOs' statutory responsibilities.

Ethical standards

All public sector bodies have a prime responsibility to ensure that recognised ethical standards are adopted. The financial affairs of the PCC and the force are among the most critical areas on which the public and partners need to be assured that high standards are maintained. The two statutory CFOs have a central role in implementing and maintaining standards through financial regulations, audit processes and reporting arrangements. They also have a personal responsibility to set an example for their organisation. The police service has to operate according to the **Code of Ethics: A Code of Practice for the Principles and Standards of Professional Behaviour for the Policing Profession in England and Wales**, published by the College of Policing. However, chief financial officers have to also follow their professional bodies' Standard of Professional Practice on Ethics (SOPP on Ethics) which is based upon the **International Federation of Accountants (IFAC) International Code of Ethics for Professional Accountants (including International Independence Standards)**.

This statement

This statement builds heavily on CIPFA's statements on the Role of the CFO in Public Services and the Role of the Chief Financial Officer in Local Government. It applies the principles and roles in those statements to the police sector and specifically to CFOs appointed by the police and crime commissioner and the chief constable.

The CFO occupies a critical position in any organisation, holding the financial reins of the business and ensuring that resources are used wisely to secure positive results. Achieving value for money and securing stewardship are key components of the CFO's role in a public service organisation, a duty enshrined in legislation for the CFOs appointed by PCCs and chief constables.

The purpose of this statement is to support CFOs in the fulfilment of their duties and to ensure that the PCC and chief constable have access to effective financial advice at the highest level. Guidance on the annual governance statement includes a 'comply or explain' requirement in relation to the requirements of this CIPFA statement.

In this statement, the term 'force' is used to refer to the chief constable (unless specific reference to this post is appropriate). When used, the term includes all force officers and police staff employed by the chief constable. References to the post of chief constable in this statement include the Commissioner of Police for the Metropolis and the Commissioner of the City of London Police.

The **Policing and Crime Act 2017** enables PCCs in England to take on responsibility for the governance of their local fire and rescue service(s), and thus become the police, fire and crime commissioner (PFCC), where a local case is made and it appears to the secretary of state to be in the interests of economy, efficiency and effectiveness or in the interests of public safety for an order to be made giving effect to the proposal. Where this option is adopted, the current fire and rescue authority (FRA, or FRAs if there is more than one in the PCC's area) is abolished, and a new 'PCC-style FRA' corporation sole, known as a s.4A FRA, is established. PCCs and s.4A FRAs in England are also able to make the case to take an additional step to delegate fire functions to a single chief officer for policing and fire under a single employer model. In both cases, the remit of the police and crime panel is expanded to include scrutiny of the PCC's fire responsibilities and it becomes known as the police, fire and crime panel. Please refer to page 21 for more information.

Definitions used throughout the document

Public services have a variety of organisational structures and governance arrangements. Some include elected representatives, while others are wholly appointed. The following terms are used throughout the statement in a generic sense. The statement and the supporting guideline and requirements need to be read in the context of these. Terms in use in different parts of the public services can be substituted for the generic terms used here.

Annual governance statement

The statutory mechanism by which an organisation publicly reports on its governance arrangements each year.

Audit committee

The non-executive advisory body charged with advising the PCC and chief constable on the adequacy of the risk management framework, the internal control environment, governance arrangements, integrity of financial reporting and internal audit and external audit arrangements and reports. This is usually a joint audit committee to support both the PCC and chief constable.

Board

The group of people charged with setting the strategic direction for the organisation and responsible for its achievement.

Chief executive

The most senior executive role in the organisation. The role of chief executive to the PCC is a statutory post, but there is no such statutory post for the chief constable.

Chief financial officer (CFO)

The organisation's most senior executive role charged with leading and directing financial strategy and operations. Also sometimes known as chief finance officer.

Finance function

The staff with a prime responsibility for financial matters, located either in a central department or within business/service areas. Some functions may be outsourced.

Financial management

The system by which the financial aspects of a public service organisation's business are directed, controlled and influenced, to support the delivery of the organisation's goals.

Governance

Governance comprises the arrangements* put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

*Includes political, economic, social, environmental, administrative, legal, and other arrangements.

Internal audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Leadership team

Comprises the Board and chief officer group or senior management team.

Managers

The staff responsible for the achievement of the organisation's purpose through services/businesses and delivery to its clients/customers.

Public service organisation

One or more legal bodies managed as a coherent operational entity with the primary objective of providing goods or services that deliver social benefits for civic society, are not privately owned, and receive public and/or charitable funding.

Guidance on the Role of the CFO

This statement on the roles of the CFO of the PCC and of the chief constable gives detailed advice on how to apply CIPFA's overarching public services statement. Unless otherwise indicated the term CFO in this statement applies to both CFOs. It should also be applied to those individuals who carry out the role of deputy CFO or section 151 officer. Delegated responsibility brings with it all the professional standards and legal responsibilities of the CFO.

Statutory background

The CFO is bound by professional standards and specific legislative responsibilities. The role and responsibilities were developed by case law in England and Wales. In Attorney General v De Winton 1906, it was established that the CFO is not merely a servant of the authority, but holds a fiduciary responsibility to local taxpayers. Section 151 of the **Local Government Act 1972** requires local authorities to make arrangements for the proper administration of their financial affairs, and to appoint a CFO to have responsibility for those arrangements. The 1972 Act requirements apply to PCCs and chief constables and their CFOs appointed under the Police Reform and Social Responsibility (PRSR) Act 2011.

The PRSR Act 2011 applies the requirements in local policing outside London:

- Under paragraph 6 of Schedule 1, every PCC is required to appoint a CFO.
- Under paragraph 4 of Schedule 2 and paragraph 1 of Schedule 4, the chief constable for the local force is also required to appoint a CFO.

In London identical duties are applied to the Mayor's Office for Policing and Crime and the Commissioner of the Metropolis under Section 127 of the **Greater London Authority Act 1999**.

The PRSR Act 2011 requires both CFOs to comply with relevant provisions within the Local Government Acts.

The Revised Financial Management Code of Practice for the Police Forces of England and Wales (and Fire and Rescue Authorities created under Section 4A of the Fire and Rescue Services Act 2004), known as the FMCP, outlines CFO responsibilities and emphasises the importance of effective, co-operative and constructive relationships between the CFOs to the PCC and the chief constable. It takes into account the arrangements available for governance of local fire and rescue services in England, which could have implications for the roles of the PCC, the chief constable, and their CFOs. It also sets out the arrangements relating to the Greater Manchester Combined Authority. A PCC's CFO is sometimes referred to as the treasurer. Therefore references in this statement to the PCC's CFO also apply to those termed treasurer.

Purpose of the guidance in this statement

This statement sets out how the requirements of legislation and professional standards should be fulfilled by the CFO in carrying out their role. The statement is not intended to be exhaustive and does not negate the personal responsibility of finance professionals to ensure that they comply with all professional standards and legislative requirements. The statement codifies the key responsibilities of the CFO in order to assist those carrying out that role and ensure that they meet the key personal duties of the role.

The statement also refers to CIPFA's Statement of Professional Practice on Ethics with which all CIPFA members are required to comply. For members of other accountancy bodies this represents best practice within the public sector. All professional accountants should also have regard to their own body's Code of Ethics and the International Federation of Accountants (IFAC) International Code of Ethics for Professional Accountants (including International Independence Standards).

Using the statement as a reference point for local governance reviews

This statement describes the professional and personal principles that CFOs should understand and adopt in carrying out their duties. While it is founded in legislative requirements, it is designed to act as working level guidance. As such it should be one of the reference points used when undertaking regular reviews of local governance arrangements. Any evidence that aspects of the statement are not being acknowledged should be followed up. Similarly, when local governance and management arrangements are modified, it is important to ensure that the new arrangements remain compliant with the guidance in the statement.

Mentioned within the statement and the FMCP are a number of key supporting documents including financial regulations, an information sharing protocol and other components of the overall governance framework. These should be continually reviewed and kept up to date to ensure a consistent approach to accountability and governance.

Further information on the content of the statement

The appendices to this statement include a more detailed summary of the legislative framework that underpins the appointment and role of the CFO, and the procedures for dealing with formal challenges relating to the legality of expenditure or the adequacy of financial provision to meet liabilities.

Future updating of the statement

This statement reflects the requirements of the PRSR Act 2011, the Policing and Crime Act 2017 and other relevant legislation. It will be kept under review. Changes to the statement will be published if these are required following any additional legislation and/or if further guidance is issued on the roles of the PCC, chief constable or CFOs.

Managing roles and responsibilities

This CIPFA guidance recognises the unique arrangements that apply within the police sector. It is based on the principles laid out in CIPFA's guidance on the Role of the CFO in Public Services, but takes into account that the PCC and the chief constable are independent corporations sole, and that each is required to appoint a CFO with statutory powers.

This guidance forms part of a suite of documents that together set the framework for how police finances are managed and controlled. The framework includes:

- the Police Reform and Social Responsibility Act 2011
- other relevant legislation governing the role of the statutory CFO (including the Local Government Act 1972, the GLA Act 1999, the **Local Government Finance Act 1988** and the **Local Government Act 2003**)
- the Policing and Crime Act 2017
- the 2012 Policing Protocol
- The Revised Financial Management Code of Practice for the Police Forces of England and Wales (and Fire and Rescue Authorities created under Section 4A of the Fire and Rescue Services Act 2004) (FMCP) issued by the Home Office
- the **Accounts and Audit Regulations 2015** and **Accounts and Audit Regulations (Wales) 2014**
- the Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA/LASAAC
- the **Public Sector Internal Audit Standards** (PSIAS) issued by CIPFA
- **Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards** issued by CIPFA
- the **Financial Management Code**, issued by CIPFA
- Statement on the Role of the CFO in Public Services, issued by CIPFA
- **Statement on the Role of the Head of Internal Audit in Public Sector Organisations**, issued by CIPFA
- **Delivering Good Governance in Local Government: Framework**, issued by CIPFA
- **Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales**, published by CIPFA in 2016 in conjunction with the Association of Police and Crime Commissioners, the National Police Chiefs Council, the Police and Crime Commissioners Treasurers Society, and the Association of Police and Crime Chief Executives

- Standing Guide to the Commissioning of Local Authority Work and Services issued by CIPFA
- **Prudential Code for Capital Finance in Local Authorities** issued by CIPFA
- **Treasury Management in the Public Services**: Code of Practice and Cross Sectoral Guidance Notes issued by CIPFA
- **Audit Committees: Practical Guidance for Local Authorities and Police** issued by CIPFA
- **Position Statement on Audit Committees in Local Authorities and Police** issued by CIPFA
- Statutory guidance for local authorities on the framework for flexible use of capital receipts issued by MHCLG and the Welsh Government
- Attorney General v De Winton 1906
- local schemes of governance and their supporting frameworks such as standing orders, schemes of delegation, contracts regulations, financial regulations and financial instructions
- local information sharing protocols where these have been drawn up.

CIPFA published its Financial Management Code (FM Code) and **accompanying guidance notes** in 2019. The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management.

While the FM Code is not a statutory requirement, it builds on elements of other CIPFA codes, such as the Prudential Code for Capital Finance, Treasury Management in the Public Sector Code of Practice and the Code of Practice on Local Authority Accounting in the United Kingdom. The FM Code applies to all local authorities, including police, fire and other authorities with full compliance expected from 1 April 2021. Complying with the standards set out in the FM Code is the collective responsibility of the PCC and chief constable, their respective CFOs and their professional colleagues in the leadership team. Complying with the FM Code will help strengthen the framework that surrounds financial decision making.

Written guidance such as those publications highlighted above helps to delineate the framework, but it is important to recognise that management functions such as risk management, control, governance, and strategy development are essentially abstract concepts. They will be applied in different ways by individual organisations and will evolve as local circumstances change. No matter how tightly the formal frameworks are drafted, ultimately everything relies on how the organisations and the individuals interact with one another.

It is also important to recognise that individual CFOs may interpret their roles and responsibilities in different ways. Personalities will change, but the principles upon which an effective working relationship between the CFOs is founded should always be preserved. There is no standard or prescribed form that the local arrangements should take.

The purpose of this guidance is to sketch out the environment within which appropriate and effective relationships can be developed. It provides a detailed point of reference, but it is not a set of rules. Should it ever prove necessary to resort to the guidance to resolve matters of conflict or tension, this would probably be an indication that the working arrangement had failed anyway.

The implications of getting it wrong

There are risks for both the police and crime commissioner and the chief constable if the working relationships between the two CFOs do not operate in an effective and mutually supportive way. The following list is not exhaustive, but indicates some examples of the potential risks and the situations they might create:

- Decisions might be made by the PCC or the force without full appreciation of all the relevant facts or commitments.
- The PCC could be placed in a position of not being able to explain decisions by the force on the spending of public money.
- The chief constable might not be aware at an early stage about the PCC's financial strategies in areas such as spending, savings, value for money and use of reserves.
- Priorities and decisions might not be communicated within or between the two organisations.
- The staff in the OPCC and the force finance team could lack direction.
- Potential statutory actions relating to the legality or appropriateness of spending proposals by either organisation would tend to be perceived in confrontational terms.
- In situations where the CFOs are reluctant to share or freely exchange information, it could lead to duplication of staff or processes.

Making it work effectively

Three factors are critical to how the relationship between the two CFOs develops.

Organisational culture

This will be influenced by the principles set out in the previously mentioned *Delivering Good Governance in Local Government: Framework and Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales* and the terms of local schemes of corporate governance. In particular, a commitment to maintain appropriate ethical standards and integrity should underpin the organisational culture of both the OPCC and the force. The two CFOs play a key role in setting the right tone and managing by example.

Understanding of each other's roles

The Act created two separate corporations sole. The consequence is that there are distinct roles and responsibilities attaching to each organisation and by inference to the organisations' CFOs. Their statutory responsibilities are largely identical, but the purpose for which they are overseeing funds is different. However, the two roles should complement one another and, in many areas, aspects of the different roles may be shared by both CFOs. Communication between the two CFOs, mutual respect and the development of a working relationship that ensures each knows their responsibilities and how they complement each other are key.

For example, in terms of co-operating on developing a medium-term financial strategy, the PCC's CFO should support the chief constable's CFO by working to ensure that the PCC's plans and priorities are translated into a funded medium-term financial strategy. The chief constable's CFO should support the PCC's CFO in ensuring the detailed resource and financial planning is undertaken to underpin the medium-term financial strategy. Exactly how this works in practice will vary according to local agreement.

A positive and pragmatic approach to information sharing

The sharing of information is at the heart of the relationship between the PCC and the chief constable and the two CFOs play a central role in how that relationship plays out.

Information sharing

Neither CFO should seek exclusivity on particular areas of finance. The PCC holds ultimate responsibility for the police fund. In order to advise the PCC on financial strategy, and to support the exercise of effective accountability, the PCC's CFO must have reasonable access to all relevant financial information held by the force. This should be an expectation, not a negotiated arrangement. The FMCP states that the details should be set out in a locally agreed information sharing protocol (which could be incorporated into the scheme of governance) agreed by the two CFOs with the chief executive. Such a protocol should be seen as establishing an environment of mutual openness and sharing, rather than as a prescriptive set of requirements. Alongside this, there is also an obligation on the force – usually but not always exercised through the CFO – to inform the PCC's office of significant decisions or commitments that have financial implications.

The relationship operates in both directions, and the flow of information from the PCC to the force is equally important. The force should be made aware of strategic plans and decisions made by the PCC, and where future priorities are under review.

Both CFOs are entitled to assume that discretion and appropriate confidentiality will be exercised, and that information will be used fairly and objectively.

There are no hard and fast rules about what information should be shared and when. The arrangements in each area will be shaped by prevailing local cultures, personal relationships and in some cases the history of those relationships. Essentially it is all about assurance, and it comes down to what feels right for the local environment. A purist solution providing unfailing 100% 'assurance' is unattainable; more pragmatic approaches will be needed. For some areas this may mean supplying detailed information as a matter of course on a wide range of matters specified in advance. For others, a broad understanding that detailed information will be provided only on key strategic issues, or where circumstances vary from the norm, may be more effective. There must be discretion and understanding on both sides. A default position of providing every detail about every issue, simply in order to close off every risk, will achieve nothing other than wasting time and probably obscuring what is really vital. An important working criterion should always be that the exchange of information should serve a purpose more than simply demonstrating that it is being exchanged.

Some degree of trial and error will probably be needed at the start. If an open and flexible relationship is nurtured on both sides, trust will grow and the two CFOs will quickly develop an understanding about what is sensitive, critical or helpful, and the trigger points which are significant locally for maintaining the relationship between PCC and chief constable. These trigger points will set expectations about the style of information exchange. They will be shaped by the local environment, in particular the relationship between the PCC and the chief constable. They may need to be recalibrated if new individuals take on the PCC or CFO roles, because expectations and attitudes to risk will vary. As long as the basic relationship is intact, instances where either side feels compromised through lack of knowledge and assurance should be rare, and much more easily dealt with. A useful working objective might be to avoid ever refusing to provide information or explanations on grounds such as operational or political confidentiality, or 'need to know'. Resorting to these as justifications is arguably evidence that the relationship is fundamentally weak and lacking in mutual trust.

Where the level of trust is established, a mutually supportive relationship based on the open sharing of information will naturally create the environment where more exacting challenges such as conflicting priorities or the need to exercise formal powers in relation to legality or financial stability can be dealt with smoothly without causing unnecessary tensions. While the legislation establishes a statutory distinction between the two CFO roles, its effectiveness will be increased if the individuals who hold those roles develop a working relationship that enables them to separate the statutory and personal aspects; their role is to facilitate the relationship between the corporations sole, and to do that they must work together, not independently.

Keeping each other up to date on strategies and priorities

Corporate and financial strategy are shared responsibilities. One of the most important features of the working relationships should be a regular dialogue between the two CFOs on the PCC's priorities and financial strategies, and on the force's strategic and operational plans and operational pressures. Involvement at an early stage in strategy development should reduce the need for more formal oversight or challenge later on in the cycle.

Sharing of CFOs

Some PCCs and chief constables have agreed locally to combine the two CFO posts and designate a single officer. While this arrangement may be regarded in those areas as a pragmatic and cost saving solution, it is essential that the potential risks are recognised, and that the governance framework within which the arrangement operates is structured in a way that accommodates and responds to any compromises that might arise.

The reasoning behind the 2011 Act's creation of two independent corporations sole was the distinction between the statutory roles of the PCC and the chief constable in strategic and operational terms. While there is a single police fund and budget, the perspectives of the PCC and chief constable in relation to those funds are different.

Combined CFO arrangements could come under pressure in several ways. At its most basic level, tensions could appear in the working relationship between the PCC and the chief constable. In other circumstances, legal proceedings or independent inquiries could place the two corporations sole technically on 'opposite sides of the table'. The PCC already holds responsibilities for additional functions, such as the 'and crime' responsibilities. When difficult choices have to be made on the allocation of financial resources, it could compromise the CFO's impartiality. This would represent both a corporate and personal professional risk. Where a PCC in England takes on the governance of their local fire and rescue service(s), there is a separate corporation sole with the requirement for a CFO (ie the s.4 FRA's CFO). This may bring complications when making decisions affecting both police and fire services, especially where the CFO roles are combined.

Combined CFO arrangements do not contravene the provisions of the 2011 Act or the Policing and Crime Act 2017. However, PCCs and chief constables need to make proper arrangements, anticipating where risks could arise, and should include practical safeguards such as:

- including separate deputy CFO roles
- an annual review by the joint audit committee to ensure the joint CFO is not subject to undue pressure by either the PCC or chief constable
- use of internal audit, external audit, Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), peer review or professional accountancy bodies to offer independent advice on specific issues.

All parties should be aware that the CFO's responsibilities also include a wider stewardship role on behalf of the public, which is a key aspect of their independence. The annual governance review should include an evaluation of the risks.

Keeping the arrangements up to date

The CIPFA guidance is designed to be helpful in shaping the local environment. As stated earlier, it is not prescriptive and its value will be diminished if it is not reviewed and updated on a regular basis. CFOs should use the framework to assist them in establishing and monitoring their local arrangements and working relationships. Good practice would be to build in a process that provides a regular dialogue to identify any pressure points or differences of understanding, so that these can be dealt with before they cause tensions in the working relationships. Taking steps to identify and resolve potential difficulties is always more effective than dealing with the consequences.

This commitment to ongoing improvement should extend to the professional development plans of the CFOs, and the training arrangements for staff in the OPCC and the force who will in practice manage the working arrangements on a day to day basis. Good practice again would be to involve other senior staff in maintaining the working arrangements, to avoid situations where trust and support at the top is undermined by tensions elsewhere in the organisations.

Recent developments

Local arrangements evolve as the responsibilities and the strategies and plans of the PCC and the force develop into new areas or new ways of providing services. The Policing and Crime Act 2017 introduced new duties on police, fire and rescue and emergency ambulance services in England to keep opportunities to collaborate under review, and further, to enter into collaboration agreements where it is in the interests of their efficiency or effectiveness. It also introduced governance options in England to drive closer collaboration between police and fire, such as the governance model and single-employer model. These result in new requirements for the leadership of the services, and have implications for the roles of the CFOs.

There are many forms that the new arrangements could take, and these could have direct or indirect implications for the two existing police CFOs. The following section of this document provides general guidance on the role of the CFO in these new styles of governance.

At the same time, introduction of the mayoral model in Greater Manchester and potentially other areas has changed the overall local structure of police governance, with implications for formal and informal working relationships.

Local governance arrangements will evolve in other ways over the coming years, and management of the financial arrangements of the new organisations will be critical to their success or failure. In all cases, the basic principles outlined in this guidance should underpin any future structures.

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Emergency services collaboration: implications for the CFO

As mentioned above, the Policing and Crime Act 2017 introduced new duties on police, fire and rescue and emergency ambulance services in England to keep opportunities to collaborate under review, and further, to enter into collaboration agreements where it is in the interests of their efficiency or effectiveness. The Act also made provision for a police and crime commissioner in England to take on responsibility for the governance of local fire and rescue services, and thus become the police, fire and crime commissioner (PFCC), where a local business case is made and it appears to the secretary of state to be in the interests of economy, efficiency and effectiveness or in the interests of public safety. Where this option is adopted, the current fire and rescue authority is abolished (or FRAs where there is more than one in the PCC's area), and a new PCC-style FRA corporation sole is established, known as a s.4A FRA. The PCC and the s.4A FRA are separate corporations sole. The creation of separate legal entities has implications for finance and governance matters including grants, precepts, contracts, and audit arrangements.

The Act also allows a PCC in England to include in their business case, or submit separately at a later date, a proposal to combine the police force and fire and rescue service workforces into one organisation under the chief constable (the single employer model). Within these two broad categorisations, many different styles of local governance could be established as the programme develops, and this will have implications for existing CFOs and any new appointments.

The s.4A FRA is required to appoint a statutory CFO. The legislation does not prevent a PCC and the s.4A FRA appointing the same person to be the CFO for both police and fire and rescue functions. However, if sharing CFOs, PCCs and s.4A FRAs need to make proper arrangements, anticipating where risks could arise, and should include practical safeguards, such as those set out in 'Sharing of CFOs' above. Again, all parties should be aware that the CFOs' responsibilities also include a wider stewardship role on behalf of the public, which is a key aspect of their independence. The annual governance reviews should include an evaluation of the risks.

Since the police and fire funding and accounting are to be kept separate, some of the challenges that may need to be addressed include:

- establishing effective separation of roles and accountabilities where there are potential risks of conflicts of interest between the CFO's personal statutory responsibilities in relation to the two services
- preserving the separate fiduciary duties of the CFOs in relation to the two services, including advising the PCC and PFCC FRA on proposals that may or may be perceived as unfairly affecting the balance or utilisation of resources between the services
- overseeing a scrupulous approach to the allocation of shared costs and validation of recharges between the services
- maintaining a balanced and proportionate approach to audit roles
- establishing and operating audit committee(s) to cover both police and fire functions
- recognising and protecting the ownership of assets and the separation of funding streams, reserves and provisions relating to each service.

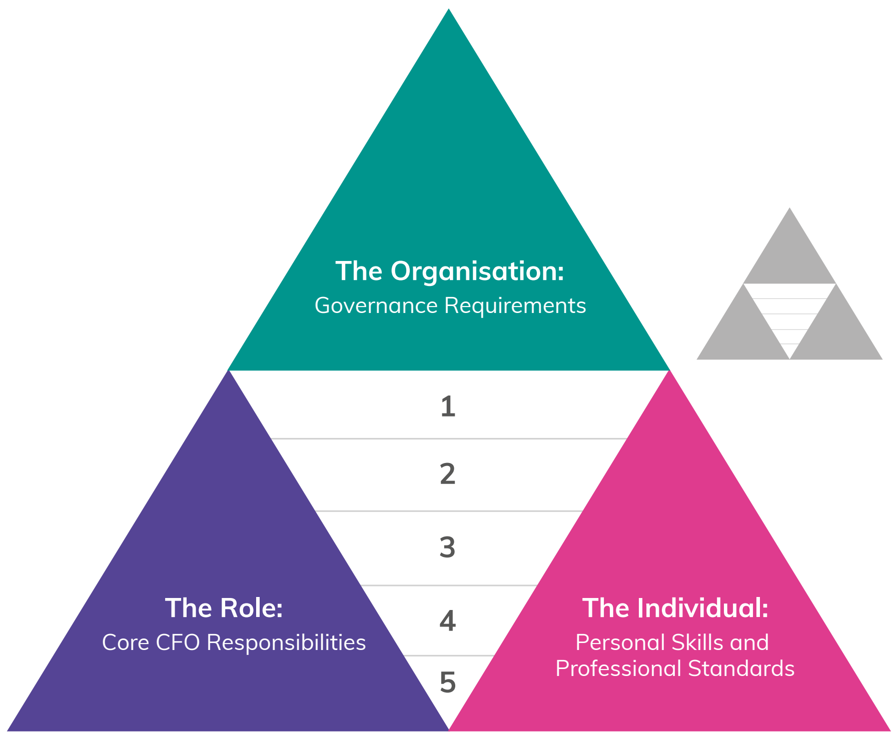
Using the CIPFA statement

The statement sets out the five principles that define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them. Successful implementation of each of the principles requires the right ingredients in terms of:

- **the organisation**
- **the role**
- **the individual.**

For each principle the statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. The statement also sets out the core responsibilities of the PCC's CFO and chief constable's CFO. Many of the day-to-day responsibilities may in practice be delegated or even outsourced, but the CFO should maintain oversight and control.

Summaries of personal skills and professional standards detail the leadership skills and technical expertise organisations can expect from their CFO. These include the key requirements of CIPFA and the other professional accountancy bodies' codes of ethics and professional standards to which the CFO as a qualified professional is bound. The personal skills described have been aligned with the most appropriate principle, but in many cases can support other principles as well.



The leadership team is mentioned in this statement. In a police context, this refers to teams within the offices of the PCC and the chief constable with responsibility for strategic direction and control. Operational matters (as mentioned in the policing protocol) are the responsibility of the chief constable.

Leadership teams may include joint teams with another PCC or chief constable where there are collaborative activities. Where this applies, it is possible that a CFO could hold this position for another PCC or chief constable having responsibility for both PCCs or chief constables. Where such arrangements are proposed, the CFO will need to consider if the principles outlined in this statement can be fully and effectively delivered and the professional responsibilities of the CFO maintained.

The provision of overall resourcing together with financial standards and financial statutory responsibilities comes within the scope of this statement. The CFO must be able to influence and be informed of all key business decisions affecting financial resources, subject to the operational responsibilities of the chief constable. Each CFO (depending on whether they are the CFO to the PCC or the chief constable) must have direct access to the PCC or the chief constable and their leadership teams. Shared CFOs must have direct access to all three parties.

In practice, the chief constable's CFO may report to another member of the leadership team, such as the deputy chief constable, but this document reflects the responsibilities of the CFO as the chief constable's only statutory officer rather than the hierarchy within an individual police force. Similarly, many chief constables' CFOs also have other responsibilities such as IT or human resources. Again, it is not the whole of such a director of resources role that is covered in this document, but the specific requirements of the CFO in relation to their s151, s113 and s114 responsibilities, as well as their strategic role in ensuring good financial management and financial planning.

The policing model outlined in this statement is complicated by the separate corporations sole for the PCC and the chief constable. Consequently, the importance of being clear in which capacity an individual is acting is fundamental.

The chief financial officer to the PCC and/or the chief constable:

1. is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver strategic objectives sustainably and in the public interest

2. must be actively involved in, and able to bring influence to bear on, all material business decisions (subject to the operational responsibilities of the chief constable) to ensure immediate and longer-term implications, opportunities and risks are fully considered, and aligned with the financial strategy

3. must lead the promotion and delivery of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the chief financial officer to the PCC and/or the chief constable must:

4. in close working liaison with the PCC, PCC chief executive and the chief constable, ensure that the finance function is resourced to be fit for purpose

5. be a professionally qualified accountant with suitable experience and ensure professional knowledge is kept current through continuing professional development.

Introduction to the five key principles

The five principles outlined by CIPFA recognise the core activities and behaviours attaching to the role of the CFO.

The description of each principle follows a standard format. The key features of each principle are identified and considered in terms of:

- the governance requirements, which are the responsibility of the PCC and chief constable
- the core CFO responsibilities relating to each principle
- the personal skills and professional standards that are relevant to the CFO's attainment of each principle.

The aim of the guidance is that it should be of practical value to CFOs by encapsulating in a single document all the factors that shape their role. It will also be of value to others by describing the financial planning and control environments.

The guidance is addressed to both the PCC's CFO and the chief constable's CFO. The principles relating to the performance of the roles apply equally and identically to both officers. At the same time, it is important to acknowledge that both statutory CFOs are operating within the same financial arena and ultimately managing the same funds, albeit for different purposes. This means that the working relationships operating in the police sector are more complex than in other sectors.

Principle 1

The chief financial officer of the PCC and/or chief constable is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the PCC's strategic objectives sustainably and in the public interest.

Key member of the leadership team

The leadership team in public services organisations takes many forms. Leadership teams in a policing context include those of the PCC and the chief constable. Increasingly for many it also now includes leadership teams for collaborated services. These can cover all aspects of policing including frontline services.

Decisions on overall resourcing for policing, together with the setting of strategic objectives for policing, subject to Home Office and regulatory requirements, are the responsibility of the PCC.

In recognition of the centrality of financial issues to organisational success, it is UK government policy that all government departments should have a professional CFO reporting directly to the permanent secretary with a seat on the departmental board, with a status equivalent to other board members. HM Treasury recommends that "It is good practice for all other public sector organisations to do the same and to operate the same standards."[1] CIPFA fully supports the Treasury's recommendation.

The PCC and chief constable are both required to have a suitably qualified CFO with defined responsibilities and powers.[2] The governance requirements in the statement are that the CFO should be professionally qualified and report directly to the PCC or the chief constable (depending on the specific CFO concerned). CIPFA's advice is that each CFO should form part of their respective leadership team. Where the PCC and the chief constable have appointed or propose to appoint a single CFO they will need to reassure themselves that any potential conflicts of interest could be appropriately handled. The arrangements and controls should be described in the annual governance statement.

Where services are collaborated and there is a CFO for other PCCs or chief constables, the CFO should report directly to the PCCs or chief constables dependent on the specific CFO concerned. The CFO should also be a member of the leadership team or leadership teams where these continue to be separate. This statement requires that if different organisational arrangements are adopted reasons should be explained publicly in the police and crime commissioner's and chief constable's annual governance statements.

Developing and implementing organisational strategy

All public organisations face competition for limited public funds and have to balance expenditure needs against the burden of local taxation. Many will have allocated cash limits, while others have tax raising powers. All will be concerned to examine opportunities, with suitable assessment of legal powers and risk, for building income streams, whether through attracting external grants, charging

1 HM Treasury, *Managing Public Money* (2007), Annex 4.1.

2 The officer appointed as the CFO must, by virtue of Section 113 of the Local Government Finance Act 1988 in England and Wales (applied in the case of MOPAC, via s129 of the GLA Act 1999), be a member of a specified accountancy body.

for services or commercial activity. Strategic planning needs to be based on an understanding of the external political landscape, service and regulatory requirements, demand and cost drivers, and the need to manage and fund longer-term commitments on a sustainable basis. Finance translates ambitions and goals into a common language, so the CFO must share in the strategy development and implementation responsibilities of the leadership team. The CFO must be in a position to provide unfettered advice in order to inform decision making. The CFO must also have access to all other members of the leadership team and ensure that they have the financial capabilities necessary to perform their own roles effectively.

The CFO must encourage continuous improvement and development. As well as having a fundamental concern for probity and control, the CFO must be proactive in ensuring that change and risk issues are appropriately managed, focused on outcomes, and provide advice on resourcing plans for change and development. As a key member of the leadership team, the CFO must also behave in ways that are consistent with agreed values and objectives and the appetite for risk.

Helping resource and deliver objectives

The CFO might hold different responsibilities beyond finance. While these can develop the individual as a corporate manager, the CFO's core financial responsibilities must not be compromised through creating too wide a portfolio. Dilution and/or overload in the role of the CFO can result in poor financial outcomes. Setting out the core CFO responsibilities in this statement is intended to allow CFOs to assess their job description to ensure that their core finance responsibilities can be properly performed.

PCCs and chief constables engage with partners through a range of collaborative or commissioned relationships in order to realise their goals. Partnership working and the focus on community outcomes mean that the CFO needs to understand the financial risks and potential liabilities that may impact and have appropriate involvement in partnerships' business decisions. The CFO must therefore work in close working liaison to develop strong and constructive working relationships with key decision makers in partner organisations.

Delivering strategic objectives sustainably and in the public interest

PCCs as the holders of the police fund and chief constables as managers of resources provided to them by PCCs, which are included within a scheme of consent from April 2014 following the implementation of stage two transfers by April 2014[3], have a responsibility to operate within available resources and to remain financially sound over the short, medium and longer terms. Schemes of consent should detail funds provided to the chief constable and conditions under which they are provided including purpose, reporting and monitoring arrangements and the flexibility to apply funds to different areas. The chief constable has a responsibility to operate within these available funds and conditions and will need to determine internal delegation arrangements to ensure effective local management. The chief constable also needs to implement reporting arrangements to the PCC and should ensure prior approval of the PCC before incurring a liability that the PCC might reasonably regard as novel, contentious or repercussive. Delegation arrangements should be explained in the corporate governance framework.

The PCC will need to establish what financial monitoring information is required by the police and crime panel. This could include information on the annual PCC/group accounts and the PCC accounts. The PCC's CFO is not an advisor to the police and crime panel; they should supply the PCC with information to enable the PCC to report to the panel and respond to questions. The panel is responsible for securing their own independent financial advice.

3 The Police Reform and Social Responsibility Act 2011 transferred to police and crime commissioners all of the assets, liabilities and staff formerly employed by police authorities. The Act also provided for a further transfer so that police and crime commissioners could agree what assets and police staff would be transferred from the commissioner to the chief constable under a stage two transfer by 1 April 2014. **The Anti-social Behaviour, Crime and Policing Act 2014** facilitated the finance elements of stage two transfers.

The PCC's CFO and chief constable's CFO should consider submitting the annual PCC/group and chief constable's accounts to the joint audit committee for review prior to the approval of the accounts by the PCC and chief constable.

Maximising public value involves an appreciation of community needs, expectations and preferences, and the planning process must allow for involvement and influence. The internal process to determine priorities needs to grapple with maximising service efficiencies and value for money, service rationing and difficult trade-offs between different groups of service users, as well as between present and future benefits. The overarching long-term need is to match financial resources to PCC purposes and policies, within constraints of affordability. Taken with the responsibility to the community and taxpayers for financial stewardship, this means that the CFO must actively contribute to cross organisational issues and to corporate decision making to achieve an agreed balance between the available resources and PCC objectives.

Public finance is complex and highly regulated, and the CFO must contribute expert technical advice and interpretation. CFOs must act in the public interest, even if necessary against a perceived organisational interest. This professional obligation is given statutory backing and a fiduciary duty is established in case law. In Attorney General v De Winton 1906, it was established that the CFO is not merely a servant of the authority, but holds a fiduciary responsibility to the local taxpayers. This remains applicable to both CFOs.

There are also requirements in the International Code of Ethics for Professional Accountants (including International Independence Standards) published in April 2018. The stated purpose of the Code is "to set out fundamental principles of ethics for professional accountants, reflecting the profession's recognition of its public interest responsibility. The principles within the Code establish the standard of behaviour required of a professional accountant." [4]

Section 151 of the Local Government Act 1972 requires that every local authority "makes arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". This applies to PCCs and chief constables. For more information, please refer to Appendix A.

The CFO's duties in England and Wales were significantly extended by Section 114 of the Local Government Finance Act 1988, which requires a report to all the local authority members to be made by that officer in conjunction with the monitoring officer, if there is or is likely to be unlawful expenditure or an unbalanced budget.

Before either CFO decides to exercise their S.114 powers they must consult with the other CFO and the PCC's chief executive (and it is recommended they consult with the PCC and chief constable). They should also seek independent legal advice. As holders of the 'red card', the CFO must always exercise professional responsibility in order to intervene in spending plans to ensure the balance of resources is maintained so that the PCC and the chief constable remain in sound financial health. For this, the CFO must have direct access to the PCC or chief constable (dependent on which CFO is concerned) or the PCCs or chief constables where there are collaborated arrangements, the PCC chief executive, other leadership team members, the joint audit committee and also internal and external audit. For further details on S.114 procedures, please refer to Appendices A and B.

4 From the International Code of Ethics for Professional Accountants (including International Independence Standards), IFAC, 2018.

Governance requirements

- Set out a clear statement on the respective roles and responsibilities of the leadership team and its members individually.
- Ensure that the CFO reports directly to the PCC or the chief constable (depending on which CFO is concerned), the PCCs or chief constables for collaborated arrangements (depending on which CFO is concerned) and serve as a member of the leadership team with a status at least equivalent to other members.
- If different organisational arrangements are adopted, explain the reasons publicly in the annual governance statement (AGS), together with how these deliver the same impact.
- In consultation with the chief constable's CFO, the PCC's CFO should determine a scheme of delegation/consent and ensure that it is monitored and updated.
- Ensure that PCC and chief constable governance arrangements allow the CFO to:
  - bring influence to bear on all material business decisions (accepting the operational responsibilities of the chief constable)
  - have direct access to the PCC and chief constable (as above), other leadership team members, the joint audit committee and internal and external audit.
- Review the scope of the CFO's other management responsibilities to ensure that financial responsibilities are not compromised.
- Ensure that consideration has been given to a nominated deputy provision if either CFO is unable to discharge their responsibilities.
- Assess the financial skills required by members of the leadership team and commit to develop these skills in order to enable their roles to be carried out effectively.
- Review partnership arrangements to ensure that the PCC or chief constable always has access to financial advice in relation to their roles in partnerships.

Core CFO responsibilities

- Contributing to the effective leadership of the PCC and chief constable, maintaining focus on its purpose and vision through rigorous analysis and challenge.
- Contributing to effective corporate management, including strategy implementation, cross organisational issues, integrated business and resource planning, risk management and performance management.
- Supporting effective governance through development of:
  - corporate governance arrangements, risk management and reporting frameworks
  - corporate decision making arrangements.
- Leading or contributing to change programmes including identifying service efficiencies and value for money opportunities.
- Contributing to the development of partnerships in order to deliver objectives

- The PCC's CFO and the chief constable's CFO should consult and agree the arrangements for:
  - leading development of a medium-term financial strategy and the annual budgeting process to ensure financial balance and a monitoring process to ensure its delivery
  - ensuring that there are sound medium and long-term financial plans for both revenue and capital to support the development of PCC and chief constable plans and strategies and that these are subject to regular review to confirm the continuing relevance of assumptions used
  - ensuring that advice is provided on the levels of reserves and balances in line with good practice guidance
  - ensuring compliance with relevant CIPFA codes including the Prudential Framework for Local Authority Capital Finance and Treasury Management Code of Practice
  - ensuring that budget calculations are robust and reserves adequate as required by Section 25 of the Local Government Act 2003 and in line with CIPFA guidance
  - ensuring the medium-term financial strategy reflects joint planning with partners and other stakeholders.

Personal skills and professional standards

In order to fulfil the aims of this principle, CFOs should:

- Act as a role model, providing energetic, determined, positive, robust and resilient leadership, inspiring confidence and respect and exemplifying high standards of conduct.
- Adopt a flexible leadership style, able to move through visioning to implementation and collaboration/consultation to challenge as appropriate.
- Build robust relationships both internally and externally.
- Work effectively with other leadership team members with political awareness and sensitivity.
- Support collective ownership of strategy, risks and delivery.
- Address and deal effectively with difficult situations.
- Demonstrate best practice in change management and leadership.
- Balance conflicting pressures and needs, including short and longer-term trade-offs.
- Facilitate the growth of effective partnerships while balancing the need to protect the individual financial position.
- Demonstrate strong commitment to innovation and performance improvement.
- Maintain an appropriate balance between the technical financial aspects of the CFO role and a broader focus on the environment and stakeholder expectations and needs.
- Comply with the fundamental principles in the IFAC International Code of Ethics for Professional Accountants. The five fundamental principles are integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.
- Maintain impartiality, which is a further fundamental requirement of those operating in the public services.

Principle 2

The CFO must be actively involved in, and able to bring influence to bear on, all material business decisions (subject to the operational responsibilities of the chief constable) to ensure immediate and longer-term implications, opportunities and risks are fully considered and align with the overall financial strategy.

Responsibility for financial strategy

No organisation can achieve its goals effectively without proper structures for allocating and optimising the use of resources. The centrality of finance means the CFO must play the lead role in advising and supporting the leadership team in turning policy aspirations into reality by aligning financial planning with the vision and strategic objectives for the organisation.

Within the overall corporate governance and management structure, the CFO has direct responsibility for leading development and implementation of the financial strategy necessary to deliver PCC strategic objectives sustainably. The CFO must work closely with the leadership team to establish a medium to long-term strategy that ensures the financial sustainability of the organisation. This may require the CFO to provide comprehensive advice on alternative delivery models to inform the debate.

The CFO must also assist in the development and management of resource allocation models to optimise service outputs and community benefits within funding constraints and any tax raising limits. In implementing these models, the CFO must ensure that the financial and risk implications of policy initiatives are analysed and appropriately addressed. Models must encompass partnership working, alternative delivery models, capital investment programmes and annual operations, as well as financial targets and benchmarks. They must also take into account future commitments, identification of possible service efficiencies and value for money opportunities, resources available and the desirable levels of reserves, to ensure that the PCC's and chief constable's finances remain sustainable.

The PCC's CFO and the chief constable's CFO need to establish working arrangements to ensure that both are aware of material business decisions being considered and both can contribute depending on the decision involved. This requires close co-operation and working arrangements to be established between both CFOs to facilitate information and knowledge sharing. The Home Office Financial Management Code of Practice (FMCP) requires a locally agreed information sharing protocol to be agreed.

The statutory guidance[5] issued by the secretary of state under the **Local Government Act 2000** (England and Wales) advises that local authorities need to ensure that the CFO and the monitoring officer[6] have access as necessary to meetings and papers and that members must consult with them

5 New Council Constitutions, Local Government Act 2000, guidance to English local authorities, Chapter 8 – officers' roles under executive arrangements, DETR, October 2000.

6 The monitoring officer for the PCC is the chief executive.

regularly[7]. While PCCs and chief constables do not operate under these arrangements, this guidance represents best practice and the principles of access and consultation should be followed.

The guidance goes on to say that the CFO will have an important role in the management of the organisation, in particular by:

- contributing to corporate management and the provision of professional financial advice
- maintaining financial administration and stewardship
- supporting and advising leaders and managers in their respective roles
- examining alternative delivery models and advising on each approach
- providing financial advice to the media, members of the public and the community.

Influencing decision making

PCCs and chief constables must be rigorous in their decision making, be explicit about the reasons for their decisions and record the supporting information and expected impact. This requires the CFO to be actively involved in, and able to bring influence to bear on all material business decisions (subject to the operational responsibilities of the chief constable) whenever and wherever they are taken.

The CFO must be able to advise the leadership team directly in order to discharge responsibilities in relation to the PCC's and chief constable's financial health and long-term viability. The CFO must therefore be a persuasive and confident communicator with the status and credibility to challenge others and influence material business decisions. The CFO's advice and reports to the leadership team must be clear, concise, relevant and timely, highlighting issues that the team needs to be aware of and options for action.

The CFO must also work to develop strong and constructive working relationships by creating mutual respect and effective communication. Providing information and advice as a public servant might call on an understanding of ethics, the wider public interest and diplomacy.

The Local Government Act 2003 emphasises the importance of sound and effective financial management. In relation to capital financing there is a statutory requirement for the PCC to set and arrange their affairs to remain within prudential limits for borrowing and capital investment. Advice on fulfilling this responsibility is set out in CIPFA's Prudential Code[8]. This, and the detailed governance arrangements, is a responsibility of the PCC's CFO in consultation with the chief constable's CFO. The PCC's CFO might consider briefing the audit committee on treasury management strategy and monitoring during the year.

The PCC's CFO has a statutory responsibility to report on the robustness of the budget estimates and the adequacy of financial reserves at the time the budget is considered and the precept set. This duty to report will need to be fulfilled by publishing in public a budget report with this information. This should be reported to the police and crime panel as part of the consideration of the budget and precept.

The Secretary of State in England and the Welsh Government both have reserve powers to specify in regulations a statutory minimum level of reserves that will be used if authorities fail to remedy deficiencies or run down reserves against the advice of the CFO. This applies to PCCs.

7 In Wales the statutory guidance does not include this reference but implies that this should be the case.

8 The Prudential Code for Capital Finance in Local Authorities (Fully Revised Second Edition, 2017).

The CFO also has a key role to play in fulfilling the requirements of the statutory duty to keep the PCC's and chief constable's finances under review during the year and take action if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.[9]

Financial information for decision makers

At all levels those taking decisions must be presented with relevant, objective and reliable financial analysis and advice, clearly setting out the financial implications and risks.

The CFO has an important role in ensuring necessary financial information and advice is provided to the leadership team and decision makers at all levels. Meaningful financial analysis and robust and impartial interpretation is a key component in performance management, asset management, investment appraisal, risk management and control.

Although not a specific responsibility of CFOs alone, they should be alert to the 'Wednesbury' rules,[10] which emphasise the importance of ensuring that when developing policy all relevant matters are properly considered. The judgment in the case stated that an authority's action in exercise of a statutory discretion would be regarded unreasonable, in excess of the powers given by Parliament and therefore invalid if:

- in making its decision it took into account matters that it ought not to take into account, or
- it did not take into account matters that it should have taken into account, or
- even if the two previous conditions were satisfied, the conclusion was so unreasonable that no reasonable authority properly directing itself could ever come to it.

In order to demonstrate that these principles have been observed it is important that policy decisions and the associated advice are as a matter of routine well and clearly documented.

Governance requirements

- Establish a medium-term business and financial planning process to deliver PCC strategic objectives, including:
  - a medium-term financial strategy to ensure sustainable finances
  - a robust annual budget process that ensures financial balance
  - a monitoring process that enables this to be delivered.
- Ensure that these are subject to regular review to confirm the continuing relevance of assumptions used.
- Ensure that professional advice on matters that have financial implications is available and recorded well in advance of decision making and used appropriately.
- In consultation with the chief constable's CFO, the PCC's CFO should ensure that budget calculations are robust and reserves adequate, in line with CIPFA's guidance and Section 25 of the Local Government Act 2003. In line with the requirements in the FMCP on the transparency of reserves, the PCC's CFO must also send the Home Office a copy of their reserves strategy each year.

9 Section 28, Local Government Act 2003.
10 Associated Provincial Picture Houses v Wednesbury Corporation (1948).

- Ensure that those making decisions are provided with information that is fit for the purpose, relevant, timely and gives clear explanations of financial issues and their implications.
- Ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the PCC meets its policy and service objectives and provides effective stewardship of public money and value for money in its use.
- Ensure that the PCC and chief constable maintain a prudential financial framework; keep commitments in balance with available resources; monitor income and expenditure levels to ensure that this balance is maintained and take corrective action when necessary.
- In consultation with the chief constable's CFO, the PCC's CFO should ensure compliance with CIPFA's Prudential Code for Capital Finance in Local Authorities and Treasury Management Code of Practice.
- Ensure that the PCC and chief constable understand the budgetary commitment of contracted services including the longer-term financial implications.
- Ensure that advice is provided on the level of reserves and balances in line with good practice guidance.
- Ensure that medium-term business and financial planning systems, along with ongoing performance monitoring, cover the services provided through partnerships and alternative delivery models.
- Ensure that the prudential financial framework accurately reflects the commitments and potential future impact of contracted services.
- Ensure that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnerships arrangements, outsourcing or where the authority is acting in an enabling role.
- Ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance.

Core CFO responsibilities

Responsibility for financial strategy

- Agreeing a financial framework and planning delivery against the defined strategic and operational criteria.
- Maintaining a long-term financial strategy to underpin PCC and chief constable financial viability within the agreed performance framework.
- Implementing financial management policies to underpin sustainable long-term financial health and reviewing performance against them.
- Ensuring that alternative delivery models, commercial and collaborated opportunities are appraised and advising on financial targets and successful delivery.
- Ensuring that an effective resource allocation model is developed and maintained to deliver business priorities.
- Taking a leading role on Balance Sheet management.

- Co-ordinating the planning and budgeting processes.
- Maintaining involvement in strategic asset management.

Influencing decision making

- Ensuring that opportunities and risks are fully considered and decisions are aligned with the overall financial strategy.
- Providing professional advice and objective financial analysis enabling decision makers to take timely and informed business decisions.
- Ensuring that efficient arrangements are in place and sufficient resources available to provide accurate, complete and timely advice to support strategy development.
- Ensuring that clear, timely, accurate information is provided as requested by the police and crime panel.
- Ensuring that all necessary information is provided to the PCC when the police and crime panel considers the budget and proposed precept (PCC's CFO's responsibility in consultation with the chief constable's CFO).
- Ensuring that capital projects are chosen after evaluating a fully costed business case complied with input from all relevant professional disciplines and can be funded in the financial strategy.
- Checking at an early stage that innovative financial approaches comply with regulatory requirements.

Financial information for decision makers

- Monitoring and reporting on financial performance linked to related performance information and strategic objectives and identifying any necessary corrective decisions.
- Ensuring that timely management accounts are prepared.
- Ensuring the reporting envelope reflects partnerships and other arrangements to give an overall picture.
- Monitoring the service impact of third-party contracts on the delivery of organisational objectives.
- Monitoring the longer-term financial impact of third-party contracts.

Personal skills and professional standards

In order to fulfil the aims of this principle:

- Take all reasonable steps to ensure that:
  - budgets are planned as an integral part of strategic and operational management and are aligned with a structure of managerial responsibilities
  - budgets are constructed on the basis of reliable data of past performance and rigorous assessments of future resources and commitments, and that policies and priorities are evaluated in an open, consistent and thorough manner
  - responsibilities for budget management and control are unambiguously allocated, commitments are properly authorised and budgets are related to clear objectives and outputs

  - accounting and financial information systems make available at the relevant time to all users the appropriate information for their responsibilities and for the objectives of the PCC and chief constable.
- Implement other appropriate management, business and strategic planning techniques.
- In consultation with the chief constable's CFO, the PCC's CFO to ensure that the financial strategy and overall strategy are linked.
- Demonstrate a willingness to take and stick to difficult decisions – even under pressure.
- Take ownership of the assessment of relevant financial risks.
- Network effectively to ensure awareness of all material business decisions to which CFO input may be necessary.
- Role model using persuasive and concise communication with a wide range of audiences internally and externally.
- Provide clear, authoritative and impartial professional advice and objective financial analysis and interpretation of complex situations.
- Apply relevant statutory, regulatory and professional standards at both personal and organisational levels.
- Demonstrate a strong desire to think innovatively and to add value.
- Challenge effectively, and give and receive constructive feedback.
- Operate with sensitivity in a political environment.

Principle 3

The CFO must lead and encourage the promotion and delivery of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

Promotion and delivery of good financial management

Good financial management is fundamental to establishing confidence in public services and sets good relationships with the taxpayer and other funders. The leadership team collectively needs to set the tone that financial management is core to achieving strategic aims, and to demonstrate that public money is used well. Nevertheless it is the CFO who must take the lead in establishing a strong framework for implementing and maintaining good financial management. The CFO should have a key role in assessing the existing organisational style of financial management and the improvements needed to ensure it aligns with the strategic direction.

The PCC and the PCC's CFO are responsible for drawing up financial regulations and procedures for application to the PCC and chief constable. These should be prepared in consultation with the chief constable's CFO and should be kept under review by both CFOs to ensure they are revised to reflect any change to organisational or administrative arrangements. They should be reviewed by the joint audit committee prior to approval by the PCC.

Financial management is the business of the PCC and chief constable. When the leadership team, managers and the finance function all fulfil their financial management responsibilities successfully, they collectively create a financially literate and adept organisation. The CFO must actively promote financial literacy, so that the leadership team and managers can discharge their financial management responsibilities, alongside their wider responsibilities in relation to risk and performance management.

Value for money

The CFO has a key role to play in balancing control and compliance with value creation and performance. Better value for money and the identification of service efficiencies release resources that can be recycled into higher priorities, without increasing taxation. Helping to secure positive social outcomes within affordable funding therefore lies at the heart of the CFO's role.

With the foundations in place, good financial management will focus on stretching limited resources to maximise value for the public service. Value for money (economy, efficiency and effectiveness) should be the concern of all managers, but the CFO will need to take a lead in co-ordinating and facilitating a culture of efficiency and value for money. This will involve approaches and techniques such as:

- assisting the PCC and chief constable in the measurement of value for money and the identification of service efficiencies, making sure that information is available to review value for money and performance effectively

- advising on appropriate strategies for managing assets and stretching utilisation, and the productive use of other resources
- providing leadership and guidance in using and developing efficiency tools and techniques, including benchmarking, IT, shared services, process analysis and cost management and collaborating with others where this is more efficient, effective or economical
- ensuring the rigorous financial appraisal and oversight of change programmes, partnership working, income generation proposals and investment projects.

Safeguarding public money

The CFO must lead the implementation and maintenance of a framework of financial controls and procedures for managing financial risks, and must determine accounting processes and oversee financial management procedures that enable the PCC and chief constable to budget and manage within their overall resources. At the most fundamental level this means ensuring that there are robust systems of risk management and internal control, that financial control is exercised consistently, and that the PCC and chief constable implement appropriate measures to protect assets from fraud and loss, and to identify and meet the assurances needed. Where services are provided by partnership and third-party arrangements, the CFO must ensure that the appropriate mechanisms and assurances are in place and that compliance is monitored.

The CFO also has a specific role with regard to financial stewardship. This includes ensuring that the governance structures codify financial control, internal control, risk management and assurance, as well as defining a framework of financial accountabilities and reporting. In addition to the CFO's responsibilities to the PCC and chief constable, a wider role also exists in relation to the general public. The PCC and chief constable are regarded as trustees of local citizens' money, and both CFOs have a prime obligation and duty to them to manage the PCC and chief constable resources prudently on their behalf as established in the 1906 de Winton case.

In effect this means that the CFO has a personal responsibility for the stewardship and safeguarding of public money and for demonstrating that high standards of probity exist. Strong financial management, accurate financial reporting and effective financial controls are therefore central to the CFO's role. This role was strengthened by the Local Government Finance Act 1988 (in England and Wales), which requires the CFO to report inappropriate financial management as well as wrongdoing.

Section 114 of the 1988 Act (for the Mayor's Office for Policing and Crime, there is an additional duty in s130 of the GLA Act 1999) requires a report to be made by the CFO, in consultation with the PCC chief executive, if there is or is likely to be unlawful expenditure or an unbalanced budget. Further guidance recommending courses of action to be followed when a report under S.114 may be required is attached in Appendices A and B to this statement.

Consistency of standards and transparency in financial activities are essential. In this context, CIPFA's view is that the statutory role of the CFO does not stop at the boundaries of the PCC and chief constable. It extends into its partnerships, collaborated and devolved arrangements, commissioned services, joint ventures and companies in which the PCC and chief constable have an interest. As a minimum, the CFO would exercise this through ongoing monitoring and obtaining rights of access to information. In order to ensure financial probity, CFOs must be satisfied that whatever is being monitored is needed, and the appropriate information made available. The CFO should also oversee the arrangements in place with respect to service contracts and alternative delivery models. The chief constable's CFO should oversee the non-operational dimensions of the force's participation in such activities.

Assurance and scrutiny

Accountability for public expenditure is a core requirement for PCCs and chief constables. The PCC has accountability to the electorate and to the police and crime panel for the delivery of the Police and Crime Plan. The chief constable has accountability to the PCC for the delivery of policing. Both the PCC and chief constable have accountability to service inspectorates, external auditors, the community and taxpayers.

Managing information flows is a key component of the CFO's role as an ambassador for the PCC and chief constable on financial matters and in building relationships with other PCCs and chief constables and other stakeholders. The CFO must provide information and advice to those who officially scrutinise and review the PCC and chief constable: funders, regulators, external audit and any other group that exercises scrutiny. The community, taxpayers and the press also expect information.

Internal audit is an important independent internal assurance and consulting activity. Internal audit's role is not necessarily constrained by the organisational boundary but can extend to a partnership or an alternative delivery model. The CFO must support the internal audit arrangements, whether provided internally or externally to the PCC and chief constable, and contribute to ensuring that the joint audit committee receives the necessary advice and information, so that both functions can operate effectively.

Public service providers face a variety of regulatory requirements and standards for external reporting of financial and non-financial information. Measures of value may be expressed both as financial and non-financial performance targets. The role of the CFO in external reporting is to meet relevant reporting requirements and to apply professional good practice, conscious of the needs of users. External financial reporting must be of good quality, supported by analysis and documentation and should receive an unqualified audit opinion. This will be facilitated if the CFO maintains a constructive professional relationship with external auditors and inspectors.

The requirements of Part 2 Regulation 4 of the Accounts and Audit Regulations (England) 2015 impose responsibilities on the CFO relating to the form of accounting records, supporting records and financial control systems. Part 3 Regulation 9 requires the signing and approval of accounts and that they represent a true and fair view of the financial position at the end of the year and the income and expenditure for the year. Part 5 Regulation 15 covers the role of the CFO in making the accounts available for public inspection and their publication. In Wales, the Accounts and Audit Regulations (Wales) 2014 require the responsible financial officer (CFO) to determine accounting records and control systems, ensuring they are up–to-date and maintained in accordance with the requirements of any enactment and proper practices. They also require the signing and dating the statement of accounts, certifying that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of income and expenditure for that year, and re-certifying the presentation of the statement of accounts before the relevant body approves it.

Internal audit

A key feature of the regulations is for the organisation (the PCC and chief constable) to undertake an effective internal audit. The requirements of Part 2 section 5 of the Accounts and Audit Regulations (England) 2015 and Part 3 Section 7 of the Accounts and Audit Regulations (Wales) 2014 apply in relation to internal audit arrangements. The current professional standards for internal audit in policing are the Public Sector Internal Audit Standards (PSIAS) 2017. The FMCP recommends that the PCC and chief constable agree that there should be joint internal audit arrangements including a joint audit committee. The internal audit charter is a mandatory requirement of the PSIAS and will include the purpose, authority and responsibility of internal audit. It will establish reporting relationships towards both PCC and chief constable.

The Home Office FMCP states that the CIPFA Statement on The role of the head of internal audit in public sector organisations sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.[11]

External audit

The provisions of the **Local Audit and Accountability Act 2014** in relation to external audit apply to both the PCC and the chief constable as separate corporations sole in England. PCCs can appoint a local auditor for themselves and their chief constable or they can opt into the national appointing person arrangements. For those PCCs who have opted into these arrangements, Public Sector Audit Appointments (PSAA) is responsible for the appointment of external auditors to PCCs and chief constables in England as bodies subject to audit listed in schedule 2 of the Local Audit and Accountability Act 2014. In Wales, section 13 of the **Public Audit (Wales) Act 2004** (as amended by the **Public Audit Wales Act 2013**) states that the auditor general for Wales (the auditor general) is the statutory auditor for all local government bodies including police bodies. The audits are undertaken by staff of Audit Wales or contracted firms for and on behalf of the auditor general. In Wales there is no concept of appointed auditors as the AGW is the statutory auditor of all bodies.

Governance requirements

- Make the CFO responsible for ensuring that appropriate advice is given on all financial matters, for keeping financial records and accounts and for maintaining an effective system of financial control.
- Ensure that systems and processes for financial administration, financial control and protection of resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.
- Ensure that there are in place effective and appropriate internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes; ensure that these controls are an integral part of the underlying framework of corporate governance and that they are reflected in its local code.
- Address the arrangements for financial and internal control and for managing non-operational risk in annual governance statements.
- Ensure that annual accounts are published on a timely basis in accordance with professional and regulatory requirements in order to communicate activities and achievements, its financial position and performance.
- Ensure an effective internal audit function is resourced and maintained or where this is provided externally, the contractor is able to deliver the same standards.
- Develop and maintain an effective joint audit committee.
- Ensure, together with the leadership team, that the PCC and chief constable make best use of resources and that taxpayers and/or service users receive value for money.
- Ensure that appropriate financial competencies are embedded in key person specifications and appraisals.

11 From Revised Financial Management Code of Practice For the Police Forces of England and Wales and Fire and Rescue Authorities created under section 4A of the Fire and Rescue Services Act 2004, Home Office, 2018.

- Ensure the financial skills required by managers are assessed and developed to enable their roles to be carried out effectively.
- Ensure that roles and responsibilities for monitoring financial performance/budget management are clear, and that leaders have adequate access to financial skills and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities.
- Ensure ongoing monitoring of assurance arrangements in respect of partnerships and alternative delivery models, and that appropriate access to information is maintained.

Core CFO responsibilities

Promotion of financial management

- Assessing the financial management style and the improvements needed to ensure it aligns with the PCC's strategic financial direction.
- Actively promoting financial literacy.
- Actively promoting good financial management throughout all partnerships and alternative delivery models.
- Assisting the development of a protocol that clearly sets out the roles and responsibilities for financial management, including delegated authority and powers.
- Ensuring effective oversight of partnerships through monitoring and access to information.

Value for money

- Challenging and supporting decision makers, especially on affordability and value for money, by ensuring policy and operational proposals with financial and (as appropriate) non-financial implications are notified to and signed off by the finance function.
- Ensuring that the reasons for selection of proposals that do not represent the most affordable solution or the best value for money are clearly justified and recorded.
- Advising on the financial thresholds for 'key' decisions.
- Ensuring that appropriate asset management and procurement strategies are developed and maintained.
- Managing long-term commercial contract values.
- Taking a lead role in the evaluation of future value for money opportunities.

Safeguarding public money

- Applying strong internal controls in all areas of financial management, financial risk management and asset control.
- Explaining the financial management arrangements within the annual governance statement.
- Establishing budgets, financial targets and performance indicators to help assess delivery.
- Ensuring that effective systems of internal control are implemented. These may include financial regulations, contract regulations, standing financial instructions, operating manuals and compliance with codes of practice to secure probity.

- Ensuring that the PCC and chief constable have put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom.
- Ensuring that delegated financial authorities are respected.
- Promoting arrangements to identify and manage key business risks (except for operational responsibilities of the chief constable), including safeguarding assets, risk mitigation and insurance.
- Ensuring that capital projects are managed with post-completion reviews.
- Securing the application of appropriate discipline in financial management, including managing cash and banking, treasury management, debt and cash flow, with appropriate segregation of duties.
- The PCC's CFO should ensure, in consultation with the chief constable's CFO, the effective management of cash flows, borrowings and investments of funds including those on behalf of others; ensuring the effective management of associated risks; and pursuing optimum performance or return consistent with those risks.
- Ensuring that appropriate measures exist to prevent and detect fraud and corruption.
- Ensuring that proportionate business continuity arrangements are established for financial processes and information.
- Ensuring that any partnership arrangements are underpinned by clear and well documented internal controls.
- Being alert to potential conflicts of interest and ensuring appropriate independent advice is available.

Assurance and scrutiny

- Ensuring that financial performance of the PCC and chief constable and their partnerships is reported to the PCC and chief constable and other parties as required.
- Ensuring that financial and performance information presented to members of the public, the community and the media covering resources, financial strategy, service plans, targets and performance, is accurate, clear, relevant, robust and objective.
- Supporting and advising the joint audit committee.
- Ensuring that clear, timely, accurate advice is provided on the considerations which can legitimately influence decisions on the allocation of resources.
- Ensuring that published budgets, annual accounts and consolidation data for government level consolidated accounts are prepared.
- Ensuring that the financial statements are prepared on a timely basis, meet the requirements of the law, financial reporting standards and professional standards as reflected in CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom developed by the CIPFA/LASAAC joint committee.
- Certifying the annual statement of accounts (PCC's CFO and chief constable's CFO for their separate accounts) and the group accounts (PCC's CFO).

- Ensuring that arrangements are in place so that other accounts and grant claims (including those where the PCC is the accountable body for community-led projects) meet the requirements of the law and of other partner organisations and meet the relevant terms and conditions of schemes.

- Liaising with the internal and external auditor and to assist in the fulfilment of their responsibilities.

Personal skills and professional standards

In order to fulfil the aims of this principle:

- CFOs should take all reasonable steps to ensure that:
  - effective systems and procedures operate to monitor progress against budgets and their objectives at regular intervals, and appropriate reporting mechanisms are in place
  - payments, including taxation, are made on time, accurately and in accordance with legal requirements
  - cash is handled with special care to avoid loss, particularly loss through theft, and secure arrangements are in place to deal with the handling of electronic or other cashless transactions
  - the accounting and financial information systems provide an accessible, complete, comprehensive, consistent and accurate record of financial transactions
  - all financial reports are relevant, reliable and consistent, are compatible with the accounting and financial information systems available, at the relevant time to all users, the appropriate information for their responsibilities and for the objectives of the PCC and chief constable
  - within the specific legislative framework, systems exist to secure the efficient and effective management of taxes, in particular to ensure that tax liabilities and obligations are properly reported and accounted for, and to prevent any tax losses
  - treasury management is carried out in accordance with CIPFA's Treasury Management Code of Practice and that effective treasury management arrangements are in place; this responsibility of the PCC's CFO should be exercised in consultation with the chief constable's CFO.
- Generate 'buy-in' to, and support delivery of, good financial management.

- Assist in the promotion and development of sustainable partnerships, and engage effectively in collaboration.

- Deploy effective facilitation and meeting skills.

- Build and demonstrate commitment to continuous improvement and innovative, but risk aware, solutions.

- Place stewardship and probity as the bedrock for management of PCC and chief constable finances.

Principle 4

The CFO must lead and direct a finance function that is resourced to be fit for purpose.

Meeting the finance needs of the business

The location(s) and functions of the finance function are a matter for discussion and agreement between the PCC and chief constable subject to the legal requirements of the separate corporations sole. The PCC's CFO and the chief constable's CFO each have a responsibility to ensure that it is adequately resourced to be fit for purpose and each have a responsibility for leading and directing depending on where the functions are located.

With the separate corporations sole the PCC's CFO and chief constable's CFO should ensure, through a memorandum of understanding or similar undertaking, that standards for the finance function are determined in accordance with professional and regulatory requirements including resourcing levels and reporting arrangements.

A strong customer focus, both externally and internally, must be a key feature of the way the finance function does business. It must support the broader development agenda by appraising investment options and change programmes and contributing creative financial solutions within an effective risk management framework.

The finance function must also have a firm grasp of the financial position and performance. The CFO must ensure that there is sufficient depth of financial expertise, supported by effective systems, to discharge this responsibility and challenge those responsible for activities to account for their financial performance. The resources available must be proportionate to the complexity of the financial environment.

Section 114(7) of the Local Government Finance Act 1988 requires authorities in England and Wales to provide their CFO with "such staff, accommodation and other resources as are in his opinion sufficient to allow his duties under this section (ie S.114) to be performed". This test has to be measured against the totality of the resource available to support the CFO's role, wherever they are located.

Appropriately developed finance skills

The CFO must promote and encourage financial literacy, including championing training and development of relevant skills at all levels. However, the CFO has a particular responsibility for learning and development among finance staff in order to ensure that both current and likely future finance skill needs are addressed. The CFO needs to ensure that the competencies needed by the finance function are identified, including specialist skills, and that it can access the skills and experience needed to exercise stewardship of public finances, develop financial performance and contribute effectively to new organisational directions and innovation.

The CFO must ensure that responsibility for accountants and finance specialists organisation-wide is properly discharged in order to ensure compliance with regulatory and professional standards. To exercise leadership on financial matters it is important that roles and responsibilities are suitably outlined and documented.

Governance requirements

- Ensure that the finance function has the resources, expertise and systems necessary to perform its role effectively.
- Ensure that the roles and responsibilities of the CFOs are suitably outlined and documented.

Core CFO responsibilities

- Ensuring that the finance function makes a full contribution to and meets the needs of the business.
- Ensuring that the resources, expertise and systems for the finance function are sufficient to meet business needs and negotiating these within the overall financial framework.
- Contributing to partnership delivery.
- Ensuring that robust processes for recruitment of finance staff are implemented and/or outsourcing of functions.
- Reviewing the performance of the finance function and ensuring that the services provided are in line with the expectations and needs of its stakeholders.
- Seeking continuous improvement in the finance function.
- Ensuring that finance staff, managers and the leadership team are equipped with the financial competencies and expertise needed to manage the business both currently and in the future, whether directly or indirectly employed.
- Ensuring that responsibility for all finance staff is properly discharged.
- Acting as the final arbiter on application of professional standards.

Personal skills and professional standards

In order to fulfil the aims of this principle:

- Ensure a vision is created and communicated for the finance function.
- Be a role model for a customer-focused culture within the finance function.
- Promote an open culture, built on effective coaching and a 'no blame' approach.
- Promote effective communication between the finance department, PCC and external stakeholders.
- Apply strong project planning and process management skills.
- Set and monitor meaningful performance objectives for the finance team.
- Be a role model for effective staff performance management.
- Coach and support staff in both technical and personal development.
- Promote high standards of ethical behaviour, probity, integrity and honesty.

- Ensure, when necessary, that outside expertise is called upon for specialist advice not available within the finance function.
- Promote discussion on current financial and professional issues and their implications.

Principle 5

The CFO must be professionally qualified and suitably experienced.

Demonstrating professional and interpersonal skills

The CFO must be able to demonstrate their own professional standing to exercise financial leadership. As a member of a professional body, the CFO's skills, knowledge and expertise will have been tested by examination and must be continuously developed in a structured and monitored context. The CFO must adhere to the professional values of accuracy, honesty, integrity, objectivity, impartiality, transparency and reliability and promote these throughout the finance function.[12]

The CFO must communicate complex financial information in a clear and credible way. They should be able to operate effectively in different modes including directing, influencing, evaluating and informing. The CFO must also have the confidence to give impartial and objective advice even if it may be unwelcome, and be sufficiently forceful to intervene with authority if financial or ethical principles need to be asserted or defended.

The officer appointed as the CFO must, by virtue of Section 113 of the Local Government Finance Act 1988 in England and Wales, be a member of a specified accountancy body.[13] This requirement is applied to the Mayor's Office for Policing and Crime (MOPAC) via S.129 of the GLA Act 1999.

The statutory roles must be performed by an 'officer'. Although the term is not defined, the legal view is that terms 'staff' and 'officer' in the Local Government Act 1972 and elsewhere are intended to embrace all employees in the organisation. It is permissible to procure non-statutory financial management services from an individual on the basis of a service contract.

Applying business and professional experience

The CFO must have an understanding and commitment to the wider business, looking beyond narrow financial objectives, to inspire respect, confidence and trust among colleagues, inspectors and stakeholders. In practice this means being creative and constructive in strategic roles and effective in management responsibilities, with a sound grasp of approaches such as performance management and project leadership.

The CFO must understand how and when to apply the tools and techniques of financial analysis in support of business decisions in order to evaluate proposals and to offer well founded and expert advice. Such techniques include strategic analysis, review of sector best practice, benchmarking, option appraisal, performance measurement, and risk assessment. However data is not always clear cut and the CFO must also be able to apply judgement to imperfect information.

12 From the International Code of Ethics for Professional Accountants (including International Independence Standards), IFAC, 2018.

13 Defined to mean a qualified member of one of the following six bodies:
Chartered Institute of Public Finance and Accountancy
Institute of Chartered Accountants in England and Wales
Institute of Chartered Accountants of Scotland
Institute of Chartered Accountants in Ireland
Chartered Institute of Management Accountants
Association of Chartered Certified Accountants.

The CFO must have a good understanding of public sector finance and its regulatory environment and comply with standards formulated through rigorous due process in support of the public interest to support the leadership team effectively. The CFO must also have a good understanding of the principles of financial management, and personally set a tone for the PCC and chief constable that finance matters and is a key part of everyone's job.

Governance requirements

- Appoint a professionally qualified CFO whose core responsibilities include those set out under the other principles in this statement and ensure that these are properly understood.
- Ensure that the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non-financial areas of their role.

Personal skills and professional standards

In order to fulfil the aims of this principle:

- Be a member of an accountancy body recognised by the International Federation of Accountants (IFAC), qualified through examination and subject to oversight by a professional body that upholds professional standards and exercises disciplinary powers.
- Adhere to international standards set by IFAC on:
  - ethics
  - continuing professional development.
- Demonstrate IT literacy.
- Have relevant prior experience of financial management in the public services or equivalent.
- Understand public service finance and its regulatory environment.
- Apply the principles of public financial management.
- Apply relevant commercial skills and understanding to alternative delivery models.
- Understand personal and professional strengths.
- Undertake appropriate development or obtain relevant experience in order to meet the requirements of the non-financial areas of the role.

Appendix A

Legislative requirements

Section 151 of the Local Government Act 1972 – England and Wales

This section requires that every local authority in England and Wales (this now includes PCCs and chief constables) should

"make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".

The words "proper administration" are not statutorily defined nor have they received judicial consideration. Section 58 of the **Local Government Act 1958** had somewhat narrower wording requiring authorities to make "safe and efficient" arrangements for the receipt and payment of money.

"Proper administration" requires a somewhat wider consideration of all aspects of PCC and chief constable financial management and should include:

- compliance with the statutory requirements for accounting and internal audit
- ensuring the PCC's and chief constable's responsibility for securing proper administration of its financial affairs (*Lloyd v McMahon* (1982) AC 625)
- proper exercise of a wide range of delegated powers both formal and informal (*Provident Mutual Life Assurance Association v Derby City Council* (1981) 1 WCR 173)
- responsibility for managing the financial affairs of the PCC and chief constable in all their dealings
- recognition of the fiduciary responsibility owed to local taxpayers (*Attorney General v De Winton* (1906) 2 CH 106).

This view is strengthened by Section 113 of the Local Government Finance Act 1988, which requires the responsible officer under Section 151 of the 1972 Act to be a member of a specified accountancy body.

Section 114 of the Local Government Finance Act 1988 – England and Wales

The responsible officer under Section 151 of the 1972 Act had their duties significantly extended by Section 114 of the 1988 Act, which requires a report in the case of local government to all the authority's members to be made by that officer, in consultation with the monitoring officer, if there is or is likely to be unlawful expenditure or an unbalanced budget.

S.114 is amended by paragraph 188 of Schedule 16 of the Police Reform and Social Responsibility Act 2011 to include CFOs of PCCs and chief constables in England and Wales. It is further amended by the Policing and Crime Act 2017 to include CFOs of s.4A FRAs in relation to their fire and rescue duties and the Combined Authority Mayor for Greater Manchester (GMCA), where the CFO of the combined authority performs these duties in relation to the Mayor's PCC functions.

The PCC's CFO and the chief constable's CFO both have this responsibility in relation to their corporations sole. If either of the CFOs intend to exercise their statutory powers under S.114 they should inform the other (as well as the PCC chief executive) as soon as possible.

Introduction

Section 114 (1) of the Local Government Finance Act 1988 places a duty on the chief financial officer (CFO) as defined in that subsection to report certain matters to the authority (this now includes PCCs, chief constables, s.4A FRAs and GMCA). Serious consequences could follow making such a report and this note recommends sound procedures and consultation with the PCC, PCC chief executive and chief constable prior to making the report.

The duty of the CFO to report is triggered if they believe that a decision involves (or would involve) unlawful expenditure, a course of action has been taken, or is about to be taken, that is unlawful and is likely to cause a loss or deficiency, or an entry of account is about to be made that would be unlawful (S.114 (2)). Likewise, the CFO must report where it is believed that a PCC's or chief constable's expenditure is likely to exceed available resources (S.114 (3)). The PCC and chief constable are prevented from entering into any agreements incurring expenditure until the report has been considered.

In either of these circumstances, the CFO is required to make (sign) a report and send it to the bodies listed in the recommended procedures below.

CIPFA also recommends sending copies of the report to the joint independent audit committee, the internal auditor and PCC or chief constable (if not already informed).

The course of conduct that led to the report must not be pursued until the report has been considered. Within 21 days of the report being sent, the PCC or chief constable must consider the report and decide whether they agree or disagree with the views in the report and what action it is proposed to take.

All action in respect of such a report must be suspended until the PCC or the chief constable has considered and decided upon the report. The PCC/chief constable must provide a report to the CFO and the external auditor, explaining what action, if any, is to be taken and the reasons.

This guidance is intended to assist in the provision of sound legal (and financial) advice but in the last analysis the duty to report is placed on the CFO and nothing in this note derogates from that responsibility.

Preliminary matters

The origin of information giving rise to consideration of the need for a report could be the CFO's staff, the PCC/chief constable or someone from within the PCC's office, the force, an officer, a member of the public, an auditor or an inspector. The attention of the PCC/chief constable and all staff should be drawn to the duty of the CFO and their responsibility for signalling possible subjects for investigation that may lead to a formal report. The topic should also be included in training and financial awareness programmes.

Making a report under S.114 (2) requires the CFO to make a decision that an act or omission is or could be unlawful; this decision should only be taken after full consultation with the PCC, PCC chief executive and the chief constable whereas a report under S.114 (3) requires a financial judgement on (essentially) the budget, which the CFO could take alone. However, even with a S.114 (3) report, the CFO is required by law to consult because other corporate and legal issues may well flow from the report and because there may be overlaps with the duty to report about unlawfulness under s5 of the **Local Government and Housing Act 1989**.

Circumstances of a developing situation (for example, shortage of budget resources or a prospective unlawful act) should be distinguished from the imminent or actual situation. Timing of a report will need careful thought and decision.

There may well be occasions when the CFO will be asked for a view on matters that are under consideration but that if developed might lead to a report. A mere preliminary enquiry or request should not lead to a formal report under the Act. If the situation develops, the need to report must be reviewed.

It is not considered that the provisions of S.114 (2) relate to cases of discovered fraud (which could be the subject of criminal prosecution) – these should normally be dealt with under financial regulations.

A decision will be needed whether to report or not on items which could be regarded as outside S.114 (2) such as trivial expenditure or loss of income although there may on occasions be circumstances in which such a report may be justified.

In the case of action under S.114 (3) the need for a report arises where a PCC/chief constable's total resources fall short of likely expenditure. It does not apply where, say, the chief constable's budget is overspent but can be funded from the reserves/ budget held by the PCC. These circumstances might lead to a report outside the provisions of the Act, but the requirements of S.114 (2) in relation to unlawful acts and omissions should always be considered.

Recommended procedures

The process below sets out the procedures for PCCs and chief constables, though the arrangements for s.4A FRAs in England are equivalent for those for PCCs.

Having regard to the circumstances and the preliminary matters mentioned above, the procedure for a report under s114 (2) – an unlawful act or omission – is suggested as follows:

- Consult with the PCC, PCC chief executive and chief constable on the issue of unlawfulness.
- If there is disagreement or doubt, the CFO should ask for opinion of counsel to be obtained.
- If there is still disagreement after counsel's opinion, the PCC chief executive may provide assistance on procedures but chief executives should not normally substitute their own advice, even where legally or financially qualified.

Under S.114 (3) where the matter is an unbalanced budget – real or potential – the CFO is in a better position to come to a decision unaided. However it is recommended that:

- an informal indication is given by the CFO at a very early stage and an attempt made to get immediate remedial action
- the likelihood of a report under S.114 (3) should be made known to the PCC/chief constable at the earliest practicable opportunity
- the CFO should consider informal consultation with the internal and external auditor.

At this point the CFO has to decide the course of action.

Where the CFO decides there is a case for a report:

- If the action or expenditure is potential or prospective the CFO should draft a report stating the facts and reasons and discuss with the PCC, PCC chief executive and chief constable how to obviate the need for the report by remedial action. If successful the matter will rest.

- Where action as above is not successful, or where the act or expenditure has already happened, the CFO should draft a report as above in consultation with the PCC, PCC chief executive and chief constable. The report should clearly state that it is made under the relevant sub-section of S.114 of the Local Government Finance Act 1988 and the consequences. The CFO then makes the report by signing it personally.

A report under S.114:

- by a PCC's CFO should be reported to the PCC, the police and crime panel and the external auditor
- by a chief constable's CFO should be reported to the chief constable, PCC and the external auditor
- by the Mayor's Office for Policing and Crime (MOPAC) CFO should be reported to MOPAC, the Police and Crime Panel of the London Assembly, the external auditor, the mayor of London and the chair of the Assembly (the latter two are under an additional duty in s130 Greater London Authority Act 1999)
- by the Commissioner of the Metropolis's CFO should be reported to the Commissioner, MOPAC and the external auditor
- by a s.4A FRA's CFO should be reported to the s.4A FRA, the Police, Fire and Crime Panel and the external auditor.

It is also recommended that any such report is distributed to members of the joint independent audit committee and the internal auditor.

The Act does not say when a report is to be sent but implies it should be sent as soon as reasonably practicable. Reports are likely to be made in highly contentious circumstances and as such could be the target for legal challenge. They must therefore be subject to most careful drafting, rehearsing all relevant matters and arguments besides clearly advising as to the options or decisions sought. Whatever the decision, the CFO must have taken all steps necessary to arrive at and justify that decision. The CFO should ensure that there is a proper record of the considerations leading to the decision.

Sections 115 and 116 of the Local Government Finance Act 1988 – England and Wales

Duties of the PCC/Chief Constable and CFO once a S.114 report has been sent

The process below sets out the procedures for PCCs and chief constables, though the arrangements for s.4A FRAs in England are equivalent for those for PCCs.

Under S.115, within 21 days of the CFO's s114 report being sent, the PCC/chief constable must consider the CFO's report and decide whether they agree or disagree with the views contained in the report and what action (if any) they propose to take. As soon as is practicable after considering the report and coming to their decision, the PCC/chief constable must prepare a report saying what action they have taken in response to the report, what action they propose to take and the reasons for taking the action (or for taking no action). They must then send a copy of the report to their CFO, external auditor and police and crime panel members (for a PCC) or to their PCC (for a chief constable).

Prohibition period

Where a report is made under S.114 (2), from the day the CFO sends the report until the first business day after the PCC/chief constable has considered it and made their decision (known as the prohibition period), the course of conduct that led to the report being made shall not be pursued. If this is not complied with, and the PCC/chief constable makes a payment as a result of the course of conduct being pursued, they shall be taken not to have had power to make the payment (notwithstanding any obligation to make it under contract or otherwise).

Where a report is made under S.114 (3), during the prohibition period, the PCC/chief constable shall not enter into any new agreement that may involve the incurring of expenditure (at any time) unless the CFO authorises them to do so. The CFO can give such authority if they consider the agreement is likely to prevent the situation that led to the S.114 report from getting worse, is likely to improve the situation, or is likely to prevent it from recurring. Such authority has to be in writing, identify the ground on which it is given, and set out the CFO's reasons for thinking that the ground applies. If this procedure is not complied with, the PCC/chief constable shall be taken not to have had power to enter into the agreement (notwithstanding any option to do so under contract or otherwise).

Where a report has been made under S.114 (3), arrangements need to be made to inform all persons who have delegated authority to enter commitments that such powers are suspended during the prohibition period.

Under S.116 (2B) or (2C) the CFO of the PCC/chief constable must notify the external auditor of any decisions taken by the PCC/chief constable in accordance with S.115.

Other matters

The PCC's and chief constable's standing orders and financial regulations should be compatible with the reporting procedures.

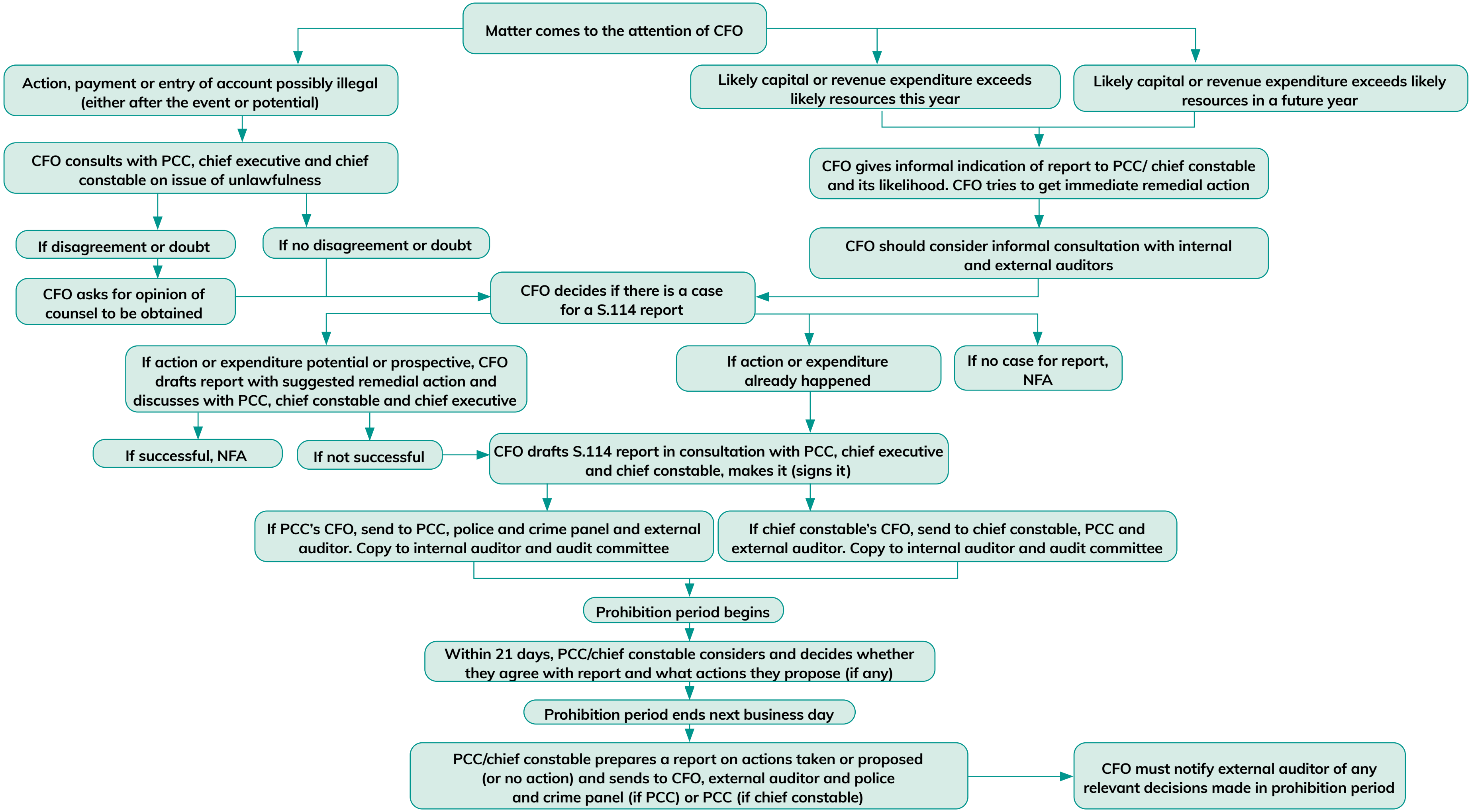
In the light of these provisions it is clearly essential that all reports containing financial matters should be cleared with the CFO. The CFO should also have access to all decision records and minutes.

The CFO's duties must be carried out personally and it is recommended that the CFO agrees with the PCC/chief constable the arrangements to be put in place for someone to act in their absence or when they are ill, as set out in S.114 (6).

S.114 (7) of the 1988 Act requires the PCC/chief constable to provide the CFO with sufficient resources to carry out their duties. These would include the cost of obtaining external advice and resources if required.

Appendix B

Flowchart for S114-116 Local Government Finance Act 1988 (England and Wales) procedures for PCSS and chief constables



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