

Committee(s) Police Authority Board	Dated: 7 January 2021
Subject: Draft PA Financial Framework	Public
Report of: PA Treasurer	For Decision
Report author: Head of PA Finance	

Summary

Paragraph 8 of the PA Governance Paper to PAB in November 2020 proposed actions to develop a framework of overarching policies. This draft is provided in response to the “financial oversight” element of those actions.

The high-level framework has been prepared with the purpose of clarifying how PA will provide financial oversight of CoLP. It will be in a way that is proportionate and strategically-focused, respecting the operational independence of the Commissioner while strengthening accountability and the discharge of PA’s responsibilities.

The framework aims to support the wider PA governance process and the potential direction of travel arising from the Lisvane review. Also, while we are not formally bound by it, it aims to apply the requirements and good practice guidance for PCC’s issued by Home Office / APCC / CIPFA, and support implementation of the CIPFA Financial Management & Capability Review of CoLP.

Recommendation

Members are asked to agree whether the high-level principles and processes set out in this paper provide a suitable basis for future PA financial assurance purposes, and to indicate if there are areas where further work is required.

Main Report

Objectives / Principles

The framework is intended to:

- Provide consistency with the wider PA direction of travel for its oversight of CoLP, in particular by enabling CoLP to manage its budget in a way which supports operational independence, while in parallel strengthening the delivery of PA's strategic responsibility for ensuring an efficient and effective force. Supported by a culture of:
 - Transparency – e.g. on performance and allocation of resources. The effectiveness of PA scrutiny will be highly dependent on the depth, robustness and timeliness of information provided.
 - Accountability – including openness to constructive challenge and scrutiny at the strategic level.
 - Collaboration – between Force and PA, including through the production of joint papers to PAB where appropriate.
- Incentivise good financial management discipline and behaviours.
- Ensure clear separation between the PA assurance role and CoL's role in providing services to CoLP. While this paper focuses on the PA assurance role, it also provides a basis for the roles and arrangements of Force finance to be clarified in relationship to it.

PA will lead on CoLP funding arrangements and will particularly endeavour to strengthen its relationship with Home Office in providing coherent oversight of all elements of Home Office provision to CoLP.

PA Finance will provide the first point of PA review and scrutiny on CoLP financial matters and will advise the Chairman and Members on its review.

Key areas of PA's financial focus

1. Medium-term financial planning.
2. Revenue & Capital budget setting.
3. Budget monitoring / outturn reporting.
4. VFM (economy, efficiency, effectiveness) assessment.
5. Financial control & management capabilities.

More detail is provided in the sections below.

1. Medium-term financial planning

- a) PA Finance will lead and facilitate the joint preparation of Police MTFPs, which will be updated at least once pa and will create the affordability envelope for the annual budget setting process.
- b) PA will ensure that MTFPs:
 - Are affordable / balanced – and underpinned by realistic funding, charging and capital financing assumptions.
 - Are aligned to workforce, non-pay and local income plans.
 - Contain challenging savings targets.
 - Identify and test the key risks and opportunities to Police medium-term finances.
 - Are supported by an appropriate reserves policy and loan repayment strategies.

2. Budget setting

- a) CoLP will develop and submit draft revenue and capital budgets within the affordability envelope of the MTFP. PA will review and challenge and, once satisfied, recommend for approval through CoL governance.
- b) PA will ensure that Police revenue and capital budgets:
 - Are set within the MTFP envelope, particularly with regard to affordable workforce levels, and fully funded.
 - Are aligned to CoLP plans and priorities – with clear demonstration of need and planned allocation of resources, particularly between its national and local roles.
 - Are underpinned by appropriate detail and confidence assessments on savings, income and non-pay plans, and align with workforce plans.
 - Clearly demonstrate how the capital priorities have been determined within the £5m pa envelope – and how these align with CoL criteria. Including procurement / cyclical replacement projects.

3. Budget Monitoring / Outturn Reporting

- a) CoLP will provide detailed and transparent quarterly reporting of spend to date and forecast outturn for PAB review, which will include:

- A clear explanation of key variances ytd.
- A robust and appropriately detailed basis for forecasts, in particular setting out workforce projections to support pay forecasts, along with a dynamic update of savings delivery progress and projections.
- Progress and projections on capital projects and their associated spend.
- Identification, and where possible quantification of, the specific In-year risks & opportunities outside of the forecast.
- Provision of high-level assurance on the operation of financial controls.
- Progress against the CIPFA FMCR action plan, in particular as it applies to development of Force financial culture and Finance Team capability.

4.VFM (economy, efficiency, effectiveness) assessment

- a) For example to ensure (i) that clear strategic plans and priorities are identified and aligned to available resources through the budget setting process, (ii) there is transparency on costs of national and local policing services, benchmarked where possible, and (iii) that change programmes are underpinned by robust business cases, including options appraisal, whole life costs, and financial and qualitative benefits assessment / realisation.
- b) This will include as current priority areas:
 - TOM / Transform / Police Accommodation Strategy (including Shared Services).
 - NLF / Action Fraud strategies and plans.
 - Periodic reviews of how resources are allocated to services / functions – esp. to ensure maximised allocation to frontline coupled with lean support services.
 - Capital and procurement projects.
- c) CoLP will provide appropriate documentation and regular reporting, and involve PA in its own governance where appropriate, to enable PA to assure:
 - The fitness for purpose of strategies and plans – ensuring alignment with CoL & CoLP plans, and National Policing and other Government policies.

- The quality of strategic / business cases, options appraisal and whole life costing in demonstrating VFM and longer-term affordability – and in providing delivery assurance.
 - That modern and best practice arrangements and benchmarks are being followed as appropriate.
- d) The focus of attention will transition more firmly from process to substance.
- e) PA will also assure requirements for and delivery of big strategic initiatives funded by CoL on behalf of CoLP.
- f) PA will also receive assurance from HMICFRS, Internal Audit and other inspection / review bodies on matters of CoLP efficiency and effectiveness.

5. Financial Control & Management capabilities

- a) CoL currently provides significant elements of CoLP's financial processes (e.g. accounts payable, accounts receivable, payroll, pensions, treasury and significant elements of corporate finance), as well as procurement, and work is ongoing to determine the future scope of financial shared services and the retained finance structure within CoLP.
- b) Whatever the outcome of this work, there is a continuing need for PA to build assurance on the effectiveness and coherence of financial management and control being applied to CoLP.
- c) PA also need to be assured that the Force culture is supportive and enabling of strong financial and business discipline - and is appropriately developed in financial literacy.
- d) PA finance will continue to engage with COFO and Force finance to support the provision of assurance to PAB, particularly through progress reporting against CIPFA FMCR action plan (last bullet under 3).
- e) PAB, through P&RM Sub-Committee, will also receive assurance on the effectiveness of financial / business management and control from Internal Audit.

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