

**CHIEF FINANCE OFFICER (CFO) PROTOCOL  
AND INFORMATION SHARING PROTOCOL (ISP)  
BETWEEN THE COMMISSIONER'S CHIEF FINANCE OFFICER  
AND THE CHIEF CONSTABLE'S CHIEF FINANCE OFFICER**

This protocol has been written in response to the governance changes contained in the Police Reform and Social Responsibility Act 2011 (the Act) and the Home Office Financial Management Code of Practice for the Police Service of England and Wales ( FMCoP ) requirement to have a locally agreed Information Sharing Protocol. It draws heavily on the FMCoP.

Specifically, as set out in section 36 of the Police Reform and Social Responsibility Act 2011, a Chief Constable must give the relevant PCC such information on policing matters that the body may require. As a result the Chief Finance Officer of the PCC must have full access to all relevant financial information. A reciprocal obligation applies in the case of the Chief Constable's Chief Finance Officer. The details of these should be set in a locally agreed Information Sharing Protocol (ISP) to be agreed by the two Chief Finance Officers in consultation with the Chief Executive.

Under the Police Reform and Social Responsibility Act, 2011 the Police Crime Commissioner (PCC) is required to appoint a Chief Finance Officer to be responsible for the proper administration of the PCC's financial affairs. The Chief Constable has an identical obligation to appoint a Chief Finance Officer responsible for the proper administration of the Chief Constable's financial affairs.

The statutory duties of both Chief Finance Officers are detailed in the pages that follow. These are largely the same and for this reason the FMCoP states ( section 4 ) that :

*"An effective, cooperative and constructive working relationship between the two Chief Finance Officers is fundamental and is more likely to be achieved where communication and clarity of understanding are at their highest. Mutual understanding of and respect for each party's statutory functions will serve to enhance policing for local communities. It is expected that the principles of goodwill, professionalism, openness and trust will underpin the relationship and that all parties will do their utmost to make the relationship work."*

The statutory duties of both Chief Finance Officers are largely identical and the FMCoP is the mechanism for guiding how they should operate effectively and without conflict, to reflect the legal and financial implications of having two corporations sole. Both Chief Finance Officers have a fiduciary duty to the local taxpayer as both have a responsibility for securing the efficient use of public funds (which will in both cases include revenue derived from the police precept).

The National Audit Office (NAO) have recently reviewed the accountability arrangements of Police and Crime Commissioners in their report "Police Accountability: Landscape review". The report by the Comptroller and Auditor General found that "...The chief financial officer is a crucial check in the system, required by law to provide notifications of misuse of funds or unbalanced budgets for both police forces and offices of commissioners. Shared chief financial officers might struggle to provide unfettered advice to both the chief constable and commissioner when they disagree..."

The Police and Crime Commissioner for North Yorkshire does not, nor do they intend to, share chief financial officer arrangements with the Chief Constable. The arrangements pre-Stage 2 provided for the Commissioner's CFO to line manage the Chief Constable's CFO whilst sharing the resources of the finance department. The Stage 2 arrangements completely separate the CFO roles with the Chief Constable's CFO line managed by the Chief Constable. This arrangement is fully consistent with the Comptroller and Auditor General findings. The Commissioner's CFO devolves direction and control of the resources of the finance department to the Chief Constable's

NOT PROTECTIVELY MARKED

CFO who will be responsible for providing day to day transactional and reporting services to both organisations.

NOT PROTECTIVELY MARKED

## **Statutory Responsibilities and Financial Management Code of Practice Responsibilities**

The statutory responsibilities are set out in the Act, these are expanded upon in the FMCoP.

Section 4.1 of the FMCoP states that the **Chief Finance Officer of the PCC** is responsible for:

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

Section 4.2 of the FMCoP states that the **Chief Constable's Chief Finance Officer** is responsible for:

- ensuring that the financial affairs of the force are properly administered and that financial regulations drawn up by the PCC (developed in close consultation with the Chief Constable, the two Chief Finance Officers and the Chief Executive Officer), are observed and kept up to date;
- reporting to the Chief Constable, the PCC and the external auditor, any unlawful, or potentially unlawful, expenditure by the Chief Constable or officers of the Chief Constable;
- reporting to the Chief Constable, the PCC and the external auditor when it appears that expenditure of the Chief Constable is likely to exceed the resources available to meet that expenditure;

## **Statutory Responsibilities and Financial Management Code of Practice Responsibilities (continues)**

- advising the Chief Constable on value for money in relation to all aspects of the force's expenditure;
- advising the Chief Constable and the PCC on the soundness of the budget in relation to the force;
- liaising with the external auditor (see section 11.1.2 of this document);
- producing the statement of accounts for the Chief Constable; and
- providing information to Chief Finance Officer of the PCC as required to enable production of group accounts.

In addition to the precise roles stated above the FMCoP makes it clear that both post holders will, for their respective organisations : be a key member of the command / leadership team, assist in the development and implementation of strategy and be actively involved in addressing the financial aspects of all strategic business decisions. In addition they will 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 and they must ensure that the finance function is resourced to be fit for purpose.

### **CFO Protocol Position within North Yorkshire**

The following protocols will apply within North Yorkshire:

General Approach : as described in the FMCoP it is expected that the Chief Finance Officers will have a mutual understanding of, and respect for, each others statutory functions and that each will do their utmost to develop and maintain a constructive and effective relationship by embracing the need for goodwill, professionalism, openness and trust.

Exercise of statutory powers : each Chief Finance Officer has a personal fiduciary duty by virtue of their appointment as the person responsible for proper financial administration under the Police Reform and Social Responsibility Act 2011. These include requirements and formal powers to safeguard lawfulness and propriety in expenditure. Consequently it is agreed that if either of the Chief Finance Officers intends to exercise their statutory powers under section 114 of the 1988 Act, they should inform the other as soon as possible.

Internal Audit : as recommended by the FMCoP the PCC and the Chief Constable have a shared internal audit service to cover both bodies reporting to a Joint Audit Committee as appropriate.

Policies and Procedures : The Chief Finance Officers will establish consistent operating processes to be followed by the PCC and Chief Constable. All individuals operating within those organisations will be required to adhere to the same financial standards and procedures. The CFOs will ensure that all processes and procedures are fully documented and subject to regular review. The CFOs will work jointly to ensure that partner agencies and joint delivery organisations meet agreed standards of financial practice.

Financial Reporting Between the Organisations : time consuming and complex bureaucratic financial reporting between the two bodies will be avoided.

## **CFO Protocol Position within North Yorkshire (continued)**

Joint Reporting : where appropriate the two Chief Finance Officers will co-operate in producing joint reports, for example, in the area of financial planning where the PCC and the Chief Constable share a responsibility to provide effective financial and budget planning for the short, medium and longer term.

Attendance at meetings : there will be a requirement for PCC and Chief Constable representation at for example Independent Audit Committee meetings. In normal circumstances this representation will be provided by the two Chief Finance Officers. In the absence of these officers the role will be undertaken by an officer nominated by the respective CFO. This may be either within the respective organisations or undertaken by one on behalf of the other.

Where any occasions occur that it is deemed appropriate that one CFO undertakes activities on behalf of the other the following key principles will be considered: -

1. This is done in line with the reciprocal fiduciary duty placed on both Chief Finance Officers to support the other in the execution of their duties in relation to policing matters.
2. Where influence is required to be brought to bear on strategic business decisions of the Chief Constable/Commissioner, to ensure immediate and longer term implications, opportunities and risks are fully considered, then:
  - a. the relevant CFO must be present; or
  - b. have articulated their professional views on the subject matter; or
  - c. agreed that the other CFO can articulate views on their behalf prior to the decision being taken;
  - d. where activities involve the promotion of good financial management so that public money is safeguarded at all times and used appropriately, economically and efficiently and effectively, both CFOs must have had the opportunity to agree these activities and the final product, or have articulated they are content for the other CFO to address these matters on their behalf.
3. Where activities involve assessment of the finance function to assess how fit for purpose it is both CFOs must have agreed their respective assessments and decisions in these areas in advance of the meeting.

Coverage for Absence – internal arrangements will be put in place to cover for the absence of either Chief Finance Officer. (This is intended to cover extended absence or leave rather than routine or short term unavailability). A formal delegation of decision making and authorisation level will be set out by each CFO.

However it is understood that, in order to provide a resilient CFO function to both the Chief Constable and the Commissioner, decision making may follow the principles set out under “Attendance at Meetings”.

It is further understood that there may be joint working or shared knowledge on issues and it may be appropriate for information and views to be sought of the available CFO. This will be to obtain professional financial advice or background on specific issues of joint working and in line with the four key points of principle set out above.

## **CFO Protocol**

### **Position within North Yorkshire (continued)**

The Chief Finance Officer for the Commissioner will devolve some responsibilities and authority to the Chief Finance Officer for the Chief Constable as identified in Appendix 1.

Relationships between CFOs and key individuals : effective working relationships will be encouraged across and within each organisation. Action to undermine or challenge the respective roles will be actively challenged.

Behaviour and leadership : each CFO will demonstrate and promote professional working which represents the Nolan Seven Principles of Public Life :

Selflessness; Integrity; Objectivity; Accountability; Openness; Honesty; Leadership.

Unforeseen events : If for whatever reason either CFO is incapacitated and unable to perform their statutory duties the Police Reform and Social Responsibility Act 2011 would automatically require the appointment of an appropriate substitute.

## **Information Sharing Protocol**

The provisions below are drawn up in response to Section 4.3 of the FMCoP which requires the establishment of a locally agreed Information Sharing Protocol (ISP) in relation to financial information.

As encouraged by the FMCoP the PCC and Chief Constable will share the Force's integrated Financial Management System with appropriate access permissions provided to enable the effective discharge of respective functions.

The Commissioners Chief Finance Officer, and their staff as appropriate, shall be given full access to all financial information held within the Force excepting that which the Chief Constable considers to be operationally sensitive which will include transaction level information within covert accounts. This is dependent on those accessing this information being vetted to the same level as the finance staff working to the Chief Constable's Chief Finance Officer.

The Chief Constable's Chief Finance Officer, and their staff as appropriate, shall be given full access to all financial information held by the PCC.

## **Annual Review**

There will be an annual review of this protocol to ensure that it fully reflects the requirements both of the Chief Finance Officers and of the appropriate codes, regulations and legislation.

## Appendix 1

### Arrangements for cooperation

With regard to the Finance Department, including the Treasury function, the P2P and the Payroll teams, the Head of Organisation Development and Commissioner's Chief Finance Officer devolves the day to day management, control of staff and budget responsibility to the Chief Constable's Chief Finance Officer and Chief Accountant (the Chief Finance Officer of the Chief Constable).

The Chief Finance Officer of the Chief Constable will have day to day management responsibility and authority for the Finance Department, including the Treasury function, the P2P and the Payroll teams. The responsibilities and authority devolved to the Chief Finance Officer of the Chief Constable will include:

- (i) the de facto authority to act as Line Manager for the staff, including discipline and grievance procedures and the Personal Development Review and Personal Development Plan processes;
- (ii) the de facto authority to act as the Budget Holder for the budgets provided to the relevant cost centres, the authority to approve expenditure against the budgets and responsibility for the management of the budgets.

The Chief Finance Officer of the Chief Constable will ensure that the Finance Department provides independent advice and services to both Corporations Sole, acting at all times on an impartial basis. Services to be provided will include:

- (i) Treasury Management services including cash flow forecasting;
- (ii) Transaction processing, including maintenance of Accounts Payable and Accounts Receivable;
- (iii) Payroll and Pensions;
- (iv) Financial management reporting, including Capital;
- (v) Statutory accounts production;
- (vi) Budget preparation and updates including the Mid Term Financial Plan;
- (vii) Maintenance of the Devolved Resource Management manual and other governance documents;
- (viii) Advice and support of Budget Holders and colleagues for the preparation of Business Cases, Decision Notices, Discussion Reports and other documents;
- (ix) Compliance comment on Decision Notices;
- (x) Advice and support on financial governance issues including maintenance of schemes of authorisation and financial governance documents;
- (xi) Budget responsibility for the employee cost budget.
- (xii) Other services as agreed and required.

These cooperation and devolution arrangements do not operate as formal delegations; they are arrangements made pursuant to the principles of cooperation between the Commissioner and the Chief Constable set out in their Memorandum of Understanding and within the terms and spirit of paragraph 23(l) and 23(m) of the Schedule to the Policing Protocol 2011.


The legal responsibilities of the Commissioner's delegates remain vested in the delegates specified in the Scheme of Delegation & Consent adopted for the time being.

## Agreement


This protocol is agreed between the Commissioners Chief Finance Officer and the Chief Constables Chief Finance Officer, in consultation with the Chief Executive Officer, and agreed by the PCC and Chief Constable as signified below.

  
.....  
Commissioners CFO

Date : 14/8/14.

  
.....  
Chief Constables CFO


Date : 14/8/14.

  
.....  
Chief Executive Officer

Date : 14/8/14

  
.....  
Police Crime Commissioner

Date : 19/8/14.

  
.....  
Chief Constable

Date: 5/9/14.