



Report of the Chief Constable to the Chair and Members of the Audit Committee – 24th June 2021

Executive & Presenting Officer: Mrs Joanne Gleeson, Chief Finance Officer

Status: For information

CIPFA Financial Management Code

1. Purpose

- 1.1 To provide Members with an assessment of the Financial Management of the Force against the requirements of the CIPFA Financial Management Code and make suggestions for improvements.

2. Recommendations

- 2.1 That Members note the content of this report.

3. Background

- 3.1 The Chartered Institute of Finance and Accountancy (CIPFA) have issued a Financial Management (FM) code which aims to ensure a high standard of Financial Management. The code is applicable from 1 April 2020 but CIPFA considers 2020/21 to be a shadow year to allow public sector bodies time to fully implement the code which is required from 1 April 2021.
- 3.2 The FM code is consistent with other CIPFA codes and is based on principles rather than being prescriptive. The code does not detail the specific financial management processes that must be followed but requires demonstration that the principles of the code are being satisfied.
- 3.3 The code does not eliminate financial pressure or risk but compliance with the code validates the ability to identify and manage risk and plan for long term sustainability.
- 3.4 A self-assessment has been undertaken and this is attached as Appendix A.
- 3.5 A summary of the demonstration of compliance with the FM code has also been added to the Annual Governance Statement.

Richard Lewis
Chief Constable

Appendix A

	Question	Answer	RAG	Areas for improvement
Section 1 - The Responsibilities of the Chief Finance Officer and Leadership Team				
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money			
1	Does the authority have a clear and consistent understanding of what value for money means to it and to its leadership team?	Value for money is considered as part of every decision. Performance reports are presented to Board meetings and there are references to VFM in the Force Management Strategy, Code of Corporate Governance and the LTFP		Documents should be more explicit in their link to VFM rather than this being implied.
2	Does the authority have suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services?	VFM is embedded in procurement documents and procurement staff are aware of the need to demonstrate value for money in contracts. The Code of Corporate Governance which is updated annually details the arrangements for Value for Money and this includes the standing orders and financial instructions which are used at service level. The meeting structure of the Force includes a monthly Local policing delivery and assurance group, a monthly Safeguarding and Vulnerability delivery and assurance Group and a monthly Crime and Investigation assurance and delivery group. Each of these are chaired by an ACC and reviews operational effectiveness. Project Boards are set up where there is a major project and meetings are chaired by the relevant senior officer. The Force Management Statement is approved by the Executive Management Board and focuses on the demand of the organisation and how we can achieve value for money with the use of our resources.		

		The PCC holds the Force to account at monthly scrutiny meetings and this includes ensuring that the Force is achieving Value for Money		
3	Is the authority able to demonstrate the action that it has taken to promote value for money and what it has achieved?	All actions that are taken from the meetings and any reviews are followed up and reported upon. Procurement savings are reported to Blue light Commercial on a monthly basis and are reported to the Joint Independent Audit Committee twice a year. Project Boards report their progress to the Futures Board as well as the lessons learned and a cost benefit analysis. Budgets are monitored monthly and any savings are reported upon.		
B The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government				
1	Is the authority's CFO a key member of the leadership team, involved in, and able to bring influence to bear on, all material business decisions?	The CC CFO is a member of the Chief Officer Team and attends the Executive Management Board. This allows the CFO to be involved in and influence all material decisions. The CC CFO also meets weekly with the PCC CFO and this close working relationship ensures that the decision-making process is communicated to the OPCC.		
2	Does the CFO lead and champion the promotion and delivery of good financial management across the authority?	Yes. The CFO leads and champions good financial management across the Force.		
3	Is the CFO suitably qualified and experienced?	Yes- as required under statute, the CFO is a qualified, experienced accountant.		
4	Is the finance team suitably resourced and fit for purpose?	The Force Management Statement has assessed the resourcing of the Finance team and this has been deemed as adequate. There is a significant number of years' experience within the teams and the External Auditors have given unqualified audit opinions every year. Future		

		resilience is being provided by the training of 2 members of the team to undertake their professional accountancy exams. Work undertaken by Internal Audit also provides significance assurance over the work of the Finance Team.		
Section 2 - Governance and Financial Management Style				
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control			
1	Does the leadership team espouse the Nolan principles?	Yes- the Code of Ethics which is available to all Police officers, staff and volunteers is built around the Nolan principles. The DCC has direct responsibility for the work of the Standards and Ethics Service and there is an Ethics and Standards Board that the DCC chairs and is held monthly. All Force Policies and Procedures embed the key principles from the Code of ethics.		
2	Does the authority have in place a clear framework for governance and internal control?	The PCC and Chief Constable issue a joint Corporate Governance Framework. This framework is updated annually and is available on the intranet and both the PCC and Cleveland Police websites. The Framework sets out very clearly the governance and internal controls for both the OPCC and the Force.		
3	Has the leadership put in place effective arrangements for assurance, internal audit and internal accountability?	Good behaviours are a mandatory objective for every PDR and is required to be discussed at every PDR meeting. There is a reporting Professional Standards Concerns and Protected Disclosure Policy (Whistleblowing Policy) on the Intranet and there is also a Standard and Ethics Section which allows for confidential reporting through the 'Break the Silence' programme.		Publication of the minutes of the Board Meetings.

		<p>The PCC and Chief Constable have a joint internal audit contract with an external provider. The Head of Internal Audit reports jointly to the PCC and CC CFO's and all Internal Audit reports are reviewed prior to being presented to the Joint Independent Audit Committee (JIAC) which meets quarterly. All internal audit recommendations are tracked at the Joint Independent Audit Committee and twice a year at the Risk and Governance Group.</p> <p>Work carried out by the Department of Standards and Ethics (DSE) ensure that there is internal accountability and breaches are investigated and reported to the Ethics and Standards Board.</p> <p>Business Interests are declared annually and reviewed by the relevant line manager and DSE.</p> <p>There is a Force policy on gifts and hospitality which is updated annually, and the relevant registers are maintained by DSE.</p>		
4	Does the leadership team espouse high standards of governance and internal control?	<p>All Force key decisions are taken collectively at the Executive Management Board. Any key decisions that impact upon or require the approval of the PCC are published as decision notices by the PCC and are available on the PCC website. The terms of reference for all of the Boards for the Force determine what can be approved at the meeting and what required escalating to the Executive Management Board. Decisions of the Force are also scrutinised by the PCC at the Scrutiny meetings which are detailed on the PCC website. Codes of conduct and business interests are declared (see C3) and all Senior leader are required to</p>		Publication of the key decisions on the intranet.

		complete a related parties declaration annually which is audited by the External Auditors. The governance of the Force is documented annually in the Annual Governance Statement (AGS) which is approved by the JIAC.		
5	Does the leadership team nurture a culture of effective governance and robust internal control across the authority?	The Joint Corporate Governance Framework includes the Financial Regulations and Contract Standing Orders which provide detailed levels of guidance for practitioners. There are a number of Assurance Boards and groups that meet formally on a monthly basis and are chaired by a member of the leadership team		
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016)			
1	Has the authority sought to apply the principles, behaviour and actions set out in the Framework to its own governance arrangements?	The application of the principles is published in the Annual Governance Statement (AGS) which is approved by the JIAC.		
2	Does the authority have in place a suitable local code of governance?	The PCC and the Force have a joint Corporate Governance Framework. This is reviewed annually by the JIAC.		
3	Does the authority have a robust assurance process to support its AGS?	The AGS is produced by the Corporate Services team in liaison with the Finance Team and Members of the Executive Board. The AGS is approved by the JIAC and is published on the Force website.		
E	The Financial Management Style of the authority supports financial sustainability			
1	Does the authority have in place an effective framework of financial accountability?	The Joint Corporate Governance Framework includes detailed Financial regulations, financial planning and controls, systems and procedures, contract standing orders and the counter fraud and corruption policy. This provides an effective framework for governance.		

2	Is the authority committed to continuous improvement in terms of the economy, efficiency, effectiveness and equity of its services?	<p>The Service Improvement Team operates across all areas of the Force and although is initially addressing the issues raised by the HMICFRS report in September 2019 will look across all services areas. In addition, there is a Towards 2025 plan which details the progress needed by the Force and this includes the achievement of value for money.</p> <p>The Force Management Statement also defines how the services are provided across all areas of the Force and the resources that are required.</p> <p>In addition, there are project teams that have been set up to investigate specific areas of the Force. There are governance arrangements in place for each of the project teams.</p>		
3	Does the authority's finance team have appropriate input into the development of strategic and operational plans?	<p>The CC CFO is a member of the Executive Management Board and has input into all strategic and operational plans.</p> <p>There is a Senior Finance representative on all Boards, Groups and working parties.</p>		
4	Do managers across the authority possess sufficient financial literacy to deliver services cost effectively and to be held accountable for doing so?	<p>All budget holders are given a named finance business partner who provides them with formal budget monitoring training and all budgets are formally signed off annually by the budget holder.</p> <p>Monthly budget clinics are held with budget holders for both the capital and revenue budgets which ensures that there is financial literacy and accountability.</p> <p>A review of the budget process has been undertaken by Internal Audit and this concluded that budget holders were financially literate and did ask their business partners for assistance if required.</p>		

5	Has the authority sought an external view on its financial style, for example through a process of peer review?	No external view has been specifically sought but the current Strategic Finance Manager had previously worked as a public sector external auditor and having undertaken such reviews in the previous role, has undertaken a review of the current financial style.		
6	Do individuals with governance and financial management responsibilities have suitable delegated powers and appropriate skills and training to fulfil these responsibilities?	Yes- the scheme of delegation is included in the Joint Corporate Governance Framework and the individuals all receive detailed training from their allocated finance business partners. A review of the budget process has been undertaken by Internal Audit and this concluded that budget holders were sufficiently financially literate to fulfil their responsibilities and did ask their business partners for assistance if required.		
Section 3 - Long to Medium Term Financial Management				
F	The authority has carried out a credible and transparent Financial Resilience Assessment			
1	Has the authority undertaken a Financial Resilience Assessment?	No- the CIPFA Financial Resilience Assessment has not been extended to cover police bodies		A review will be undertaken once the toolkit is available
2	Has the Assessment tested the resilience of the authority's financial plans to a broad range of alternative scenarios?	As above		
3	Has the authority taken appropriate action to address any risks identified as part of the assessment	As above		
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to Members			
1	Does the authority have a sufficiently robust understanding of the risks to its financial sustainability?	The key risks are detailed in the Long-Term Financial Plan (LTFP), Budget report and the monthly Corporate Financial Management Report. They are		

		also detailed in the Force Risk register.		
2	Does the authority have a strategic plan and long-term financial strategy that address adequately these risks?	The LTFP is the strategic plan and this is linked to the PCC's LTFP. There are also separate reports that the PCC published in relation to reserves and balances.		
3	Has the authority sought to understand the impact on its future financial sustainability of the strategic, operational and financial challenges that it might face (e.g. using a technique such as scenario planning)?	Scenario planning is used to determine the LTFP. Published reports include a risk assessment of the financial risks and the budget setting report includes all key assumptions that have been used for budgeting purposes.		
4	Has the authority reported effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these for short- and medium-term decision making?	All Financial reports are presented to the Executive Management Board (and these include the associated risks). Once approved by the Board, they are presented to the PCC. Monthly Corporate Financial Management (CFM) Reports are presented to the Executive Management Board detailing the progress against budget of revenue and capital expenditure		
H The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities				
1	Has the authority prepared a suitable capital strategy?	The capital strategy is the responsibility of the PCC CFO but it is prepared in consultation with the CC CFO to ensure consistency with the capital planning process. The Strategy is approved by the PCC and is published within the Decision notices on the PCC website.		
2	Has the authority set prudential indicators in line with the Prudential Code?	The Prudential Indicators are the responsibility of the PCC CFO but are prepared in consultation with the CC CFO for consistency across the financial planning process, The Prudential Indicators are part of the Treasury Management Strategy and are published on the PCC website.		
3	Does the authority have in place suitable mechanisms for monitoring its performance	The prudential indicators are monitored by the CC Finance staff and a quarterly Treasury		

	against the prudential indicators that it has set?	Management Report is presented to the PCC showing performance against the indicators.		
I	The authority has a rolling multi-year Medium Term Financial Plan consistent with sustainable service plans			
1	Does the authority have in place an agreed medium-term financial plan?	The Long-Term Financial Plan (LTFP) is produced every year and published on the relevant websites.		
2	Is the medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy?	The LTFP is fully integrated into all plans and the CC LTFP is published alongside the PCC LTFP, Treasury Management Strategy and capital Strategy on the PCC website annually.		
3	Has the medium-term financial plan been prepared on the basis of a robust assessment of relevant drivers of cost and demand?	The LTFP is produced taking account of all known costs and demands. Finance representatives are members of Boards at all levels in the Force and so are aware of the costs and demands across the Force. The Force Management Statement is produced, and this shows the actual demands as compared to the current structure and workload of the Force. This is linked to the LTFP.		
4	Has the medium-term financial plan been tested for resilience against realistic potential variations in key drivers of cost and demand?	The key demands are primarily met from the redeployment of Officers and Staff. All cost drivers are included in the MTFP.		
5	Does the authority have in place a suitable asset management plan that seeks to ensure that its property, plant and equipment including infrastructure assets contribute effectively to the delivery of services and to the achievement of the authority's strategic aims?	The Estates and Digital Strategies are updated annually, and these ensure that the component parts of the assets are contributing to service delivery and providing value for money.		
Section 4 - The Annual Budget				
J	The authority complies with its statutory obligations in respect of the budget setting process			
1	Is the authority aware of its statutory obligations in respect of the budget-setting process?	Yes- The budget is always set and approved prior to the 28 February deadline.		

2	Has the authority set a balanced budget for the current year?	Yes- This was approved by the Executive Management Board in February 2021 and by the PCC on 28/2/21. There is a small savings requirement in the 2021/22 budget of £667k against the overall budget of £145,045k (0.46%).		
3	Is the authority aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so?	Yes- The CC CFO is aware of the s114 requirements, but the Force should never need to issue one.		
K	The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves			
1	Does the authority's most recent budget report include a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves?	The robustness of estimates and adequacy of financial reserves is the responsibility of the PCC CFO under the scheme of delegation. The latest reports are for 2021/22 and are published on the PCC website.		
2	Does this report accurately identify and consider the most significant estimates used to prepare the budget, the potential for these estimates being incorrect and the impact should this be the case?	The LTFP report clearly identifies the significant estimates used to prepare the budgets.		
3	Does the authority have sufficient reserves to ensure its financial sustainability for the foreseeable future?	The reserves are the responsibility of the PCC CFO and these are clearly detailed in the PCC LTFP report which is published annually on the PCC website. This confirms that there are sufficient reserves for the foreseeable future.		
4	Does the report set out the current level of the authority's reserves, whether these are sufficient to ensure the authority's ongoing financial sustainability and the action that the authority is to take to address any shortfall?	The PCC CFO report sets out a 4-year forecast which is fully compatible with the CC LTFP and Capital Strategy and there is no shortfall expected. The CC has a savings target of £667k (0.46% of the revenue budget) but there are plans in place to achieve this saving and these plans are continually monitored.		
Section 5 - Stakeholder Engagement and Business Plans				

L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget			
1	How has the authority sought to engage with key stakeholders in developing its long-term financial strategy, its medium-term financial plan and its annual budget?	Relevant budget holders (including collaboration Boards) are engaged with for the budget setting process. The CC engages with the PCC who sets the limits for the CC budget. The PCC's annual budget proposals are scrutinised by the Police and Crime Panel on behalf of the public.		
2	How effective has this engagement been?	This is not carried out by the Force but in recent years there has been substantial engagement with the public by the PCC, but this was not possible in the same way for 2021/22 due to the covid restrictions. The PCC did however provide a survey for the residents of Cleveland to inform the 2021/22 precept decision. The increase in precept has been supported in the past by the public and the Police and Crime Panel.		Engagement with the public to re-commence following the lifting of Covid restrictions.
3	What action does the authority plan to take to improve its engagement with key stakeholders?	This is not carried out by the Force but is expected that the consultation pre-covid is returned to.		See above.
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions			
1	Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication 'Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal'?	Option appraisal is considered by the Business case triage board when new initiatives are being raised and funding requested. Project Boards are set up for more expensive and longer-term project and part of the remit of the Board is to ensure that value for money is achieved. The level of option appraisal is often limited for estates and ICT schemes but where it can be done, it is. Most significant technology schemes are now being led nationally and we are not involved in the development or implementation of the schemes.		Ensure that all schemes have an automatic assessment of VFM when setting up projects and schemes.

2	Does the authority offer guidance to officers as to when an option appraisal should be undertaken?	Staff in Finance, Procurement, ICT and Estates are all aware of the need to provide option appraisals to support bids for schemes		Ensure that option appraisal is built into processes and be explicit about what is required and how this is to be measured
3	Does the authority's approach to option appraisal include appropriate techniques for the qualitative and quantitative assessment of options?	Where appropriate, qualitative and quantitative measures are included		Ensure that option appraisal is built into the process and be explicit about what is required and how this is to be measured
4	Does the authority's approach to option appraisal include suitable mechanisms to address risk and uncertainty?	This is dependent upon the scheme but is not consistently applied		Ensure that option appraisal is built into the process and be explicit about what is required and how this is to be measured.
5	Does the authority report the results of option appraisals in a clear, robust and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s)?	The procurement option appraisal includes this but it should be carried out at every stage of the project and not just at the procurement stage.		Ensure that option appraisal is built into the process and be explicit about what is required and how this is to be measured.

Section 6 -Monitoring Financial Performance

N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability			
1	Does the authority provide the leadership team with an appropriate suite of reports that allows it to identify and to correct emerging risks to its budget strategy and financial sustainability?	Monthly Corporate Financial Monitoring (CFM) reports are presented to the Executive Management Board and to the PCC CFO. These are also provided to the PCC for scrutiny. The reports highlight the emerging risks and issues.		
2	Do the reports cover both forward- and backward-looking information in respect of financial and operational performance?	The CFM reports look backwards at the position to date and forwards at the expected outturn.		
3	Are there mechanisms in place to report the performance of the authority's significant delivery partnerships such a contract monitoring data?	This is part of the normal monthly monitoring process		

4	Are the reports provided to the leadership team in a timely manner and in a suitable format?	The reports are prepared by the 15 th of the following month and are reported to the next Executive meeting. The format of the reports has been agreed by the CC.		
5	Is the leadership team happy with the reports that it receives and with its ability to use these reports to take appropriate action?	Positive feedback received.		
0	The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability			
1	Has the authority identified the elements of its balance sheet that are most critical to its financial sustainability?	The CC Balance sheet only contains pension adjustments which are year-end adjustments only. Finance staff monitor the debtors, creditors, reserves and cash situation daily which are disclosed on the PCC Balance Sheet.		
2	Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet?	Risks are constantly monitored.		
3	Is the authority taking action to mitigate any risks identified?	All controls are in place to mitigate risks and any issues identified are dealt with.		
4	Does the authority report unplanned use of its reserves to the leadership team in a timely manner?	The CFM report includes revenue and capital budget monitoring and is presented to the Force Executive and the PCC CFO on a monthly basis. If there was an unplanned use of reserves, this would be immediately be raised by the CC CFO with the PCC CFO at their weekly meeting.		
5	Is the monitoring of balance sheet risks integrated into the authority's management accounts reporting processes?	Yes		
Section 7 - External Financial Reporting				
P	The Chief Finance Officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom			
1	Is the authority's CFO aware of their responsibilities in terms of	Definitely		

	the preparation of the annual financial statements?			
2	Are these responsibilities included in the CFO's role description, personal objectives and other relevant performance management mechanisms?	This is included in the CFO job description		
3	Have the authority's financial statements hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom?	Always		
Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions			
1	Is the authority's leadership team provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget?	The CFM report for March shows the outturn position and this is available in early May. All CFM reports explain the variances from budget. The CFM report details is also included in the explanatory foreword of the Statement of Accounts.		
2	Is the information in these reports presented effectively?	Yes- the information provided is in a consistent format with the previous CFM reports for the year and is also consistent with the report in the annual Statement of Accounts.		
3	Are these reports focused on information that is of interest and relevance to the leadership team?	The CFM report is on the full budget and highlights all variances whether this is a one off or has an ongoing financial implication.		
4	Does the leadership team feel that the reports support it in making strategic financial decisions?	Positive feedback has been received to this effect.		