



Report of the Chief Constable to the Chair and Members of the Audit Committee

Executive & Presenting Officer: Mr Ian Wright, 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) issued a Financial Management (FM) code which aims to ensure a high standard of Financial Management. The code is applicable 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 for 2021/22 has been undertaken and this is attached as Appendix A.
- 3.5 The Financial resilience assessment (noted in Appendix A, section F1) has been completed and this is attached as Appendix B.
- 3.6 A summary of the demonstration of compliance with the FM code has also been added to the Annual Governance Statement.

Mark Webster
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?	<p>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.</p> <p>The meeting structure of the Force includes a number of Delivery and Assurance Groups. 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.</p> <p>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 scrutiny meetings and this includes ensuring that the Force is achieving Value for Money</p>		

3	Is the authority able to demonstrate the action that it has taken to promote value for money and what it has achieved?	<p>All actions that are taken from the meetings and any reviews are followed up and reported upon.</p> <p>Procurement savings are reported to Blue light Commercial on a monthly basis and are reported to the Joint Independent Audit Committee twice a year.</p> <p>Project Boards report their progress to the Futures Board as well as the lessons learned and a cost benefit analysis.</p> <p>Budgets are monitored monthly and any savings are reported upon.</p>		
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. 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		Consideration should be given to the publication of Board and Group minutes.

		<p>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> <p>Board and Group meetings and Project Boards are held in line with the Force Governance Structure and a log of decisions and actions is published on SharePoint.</p> <p>Access to the SharePoint site is limited to those with granted access and minutes of the meetings are not published, just the decision and actions log.</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 or the Chief Officer Group Meeting. Key decisions are those which impact on the direction of the Force or decisions across more than one portfolio. 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</p>		<p>Consideration should be given to the publication of Minutes and Action logs.</p>

		<p>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. There is a decision and actions log for each meeting, but no detailed minutes and the log is published on SharePoint within the Meeting papers so is available only to those specifically given access to the SharePoint site.</p> <p>Codes of conduct and business interests are declared (see C3) and all Senior leader are required to complete a related parties declaration annually which is audited by the External Auditors.</p> <p>The governance of the Force is documented annually in the Annual Governance Statement (AGS) which is approved by the JIAC.</p>		
5	Does the leadership team nurture a culture of effective governance and robust internal control across the authority?	<p>The Joint Corporate Governance Framework includes the Financial Regulations and Contract Standing Orders which provide detailed levels of guidance for practitioners.</p> <p>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</p>		
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?	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. The Force Management Statement also defines how the services are provided across all areas of the Force and the resources that are required. 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.		
3	Does the authority's finance team have appropriate input into the development of strategic and operational plans?	The CC CFO is a member of the Executive Management Board and has input into all strategic and operational plans. There is a Senior Finance representative on all Boards, Groups and working parties.		
4	Do managers across the authority possess sufficient financial literacy to deliver services cost effectively	All budget holders are given a named finance business partner who provides them		

	and to be held accountable for doing so?	with formal budget monitoring training and all budgets are formally signed off annually by the budget holder. Monthly budget clinics are held with budget holders for both the capital and revenue budgets which ensures that there is financial literacy and accountability. 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.		
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?	The CIPFA Financial Resilience Assessment has been completed		

2	Has the Assessment tested the resilience of the authority's financial plans to a broad range of alternative scenarios?	Testing of the plans has not been undertaken as a separate exercise but given how detailed the working papers are to produce the plan and the detailed budget monitoring that is undertaken on the annual budgets then testing would not produce any results that are not already available from the work that is carried out.		
3	Has the authority taken appropriate action to address any risks identified as part of the assessment	There are only 4 amber responses for the assessment and work is already ongoing to eliminate the risk associated with these responses.		
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. The risks that are included in the Force Risk register are considered as part of the planning process and are included in the LTFP reports.		
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 and include all associated financial risks.		
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 against the prudential indicators that it has set?	The prudential indicators are monitored by the CC Finance staff and a quarterly Treasury 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. The Force Management Statement is produced annually, and this too is integrated into the CC LTFP.		
3	Has the medium-term financial plan been prepared on the basis	The LTFP is produced taking account of all known costs		

	of a robust assessment of relevant drivers of cost and demand?	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 LTFP.		
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. These are linked to the Force Management Statement and also the LTFP.		
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 2022 and by the PCC on 28/2/22 and is balanced.		
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	The robustness of estimates and adequacy of financial reserves is the responsibility of the PCC CFO under the		

	statement of the adequacy of the proposed financial reserves?	scheme of delegation. The latest reports are for 2022/23 and are published on the PCC website along with the prior year's reports.		
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 (below 1% of GRE) 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 or 2022/23 due to		

		<p>the covid restrictions. The PCC did however provide a survey for the residents of Cleveland to inform the 2022/23 precept decision. The increase in precept has been supported in the past by the public and the Police and Crime Panel.</p> <p>As the covid restrictions have now been removed, there are plans to ensure that the level of consultation returns to pre-covid levels and this has already been started by the PCC starting to recommence his programme of public meetings.</p>		
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 the PCC has started to re-engage with the key stakeholders		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'?	<p>Option appraisal is considered by the Business Case Triage Board when new initiatives are being raised and funding requested. All capital schemes are considered by the Board. Project Boards are set up for more expensive and longer-term projects and part of the remit of the Board is to ensure that value for money is achieved. Each project has a project initiation document and highlight reports produced as the project progresses but there needs to be more checks to ensure the accurate completion of the project documents and the lessons learned require more wider circulation.</p> <p>The level of option appraisal is often limited for Estates and ICT schemes but where it can be done, it is.</p> <p>Most significant technology schemes are now being led nationally and we are not involved in the development or implementation of the schemes.</p>		Ensure that all schemes have an automatic assessment of VFM when setting up projects and schemes and that the project documentation is consistently completed and the lessons learned widely circulated.

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. However, there has been no formal guidance offered on whether option appraisal is required or how this should be completed.		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 but there is no formal guidance issued to ensure consistency.		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 as there is no formal guidance provided. Risk is considered for every business case and a RAG rating is included in all highlight reports once the project is operational.		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. Risks are considered and projects are RAG rated which is published in project Highlight reports.		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	This is part of the normal monthly monitoring process		

	partnerships such a contract monitoring data?			
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 the preparation of the annual financial statements?	Definitely.		
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 and movement from previous months. The CFM report detail 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.		

Appendix B

POLICE FINANCIAL RESILIENCE ASSESSMENT AND MTFP TOOLKIT

Background

The CIPFA Financial Management code (FM Code) was published in October 2019 and requires a self-assessment against the code to be carried out from 2021. Part of the FM Code required a further self-assessment on the financial resilience of the Force and the PCC. CIPFA issued a police specific toolkit in February 2022 and which is detailed below and which the Force have been measured. The toolkit provides a series of resilience indicators and questions regarding the MTFP and the leadership around financial planning and resilience.

Key financial resilience indicators

1. The funding gap as a percentage of NRE over the MTFP period

	2022/23	2023/24	2024/25	2025/26
NRE (£m)	151.315	157.512	159.895	164.882
Estimated funding gap (£m)	0.382	0.382	0.382	0.382
Gap as % of NRE	0.25%	0.24%	0.24%	0.23%
Savings identified (£m)				
1. Agreed	1. £0	1. £0	1. £0	1. £0
2. Agreed in principle	2. £0	2. £0	2. £0	2. £0
3. Proposed	3. £0	3. £0	3. £0	3. £0
4. Potential	4. £0.382	4. £0.382	4. £0.382	4. £0.382
Unidentified gap as a % of NRE	0.25%	0.24%	0.24%	0.23%

The LTFP for the Force already includes budget realignments to ensure that where there are already areas of change identified that these are reflected in the base budget. The savings that have been identified in the current plus the next 3 years represent less than 0.26% of the Force NRE and will be easily achievable. A full savings plan will be put in place for the savings required in year.

2. Savings delivered as a percentage of planned savings

	2018/19	2019/20	2020/21	2021/22
MTFP savings planned (cashable) in £m	0	0	0	0
MTFP savings achieved in £m	0	0	0	0
% of savings achieved	100%	100%	100%	100%

There have been no savings requirements in previous years.

3. Over/underspend relative to net expenditure

	2018/19	2019/20	2020/21	2021/22
NRE (£m)	123,303	132.551	140.987	144.977
Over/underspend (£m)	0	0.512 over	0.86 under	0.295 under
Over/underspend as a % of NRE	0%	0.38% over	0.06% under	0.20% under

The under and overspends that have been reported in the past 3 financial year represent a very low percentage of the net revenue expenditure.

4. Usable reserves as a percentage of net revenue budget (note that the PCC holds all reserves, so the CC NRE has been measured against the PCC Group reserves)

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
NRE (£m)	123.303	132.551	140.987	144.977	151.315	157.515	159.895
PCC Resource reserves (£m)	5.992	5.042	5.042	5.042	5.042	5.042	5.042
-General	9.941	9.191	7.975	10.594	6.173	4.642	4.382
-Earmarked							
PCC Revenue reserves as a % of NRE	12.92%	10.74%	9.23%	10.79%	7.41%	6.15%	5.89%
Changes in %		-2.18%	-1.51%	+1.56%	-3.38%	-1.26%	-0.26%

The reserves are the property of the PCC but have been include for completeness. Previous auditor guidance was that the usable reserves should be in the region of 5% of NRE which is the longer term goal of the PCC.

5. Council tax as a percentage of Income (note that the PCC sets the precept and the total financing provision)

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Council Tax precept (£m)	34.582	38.784	40.845	40.947	43.401	45.472	48.040
Total financing provision (£m)	139.739	148.886	159.303	166.314	169.355	169.445	173.820
Council Tax as a % of total financing	24.75%	26.05%	25.64%	24.62%	24.18%	26.84%	27.64%

The council tax and the financing provision are the responsibility of the PCC. It should be noted that there are PFI charges included in the financing provision, but the PCC receives a grant for these from the Home Office

6. The cost of total borrowing as a percentage of NRE (note that the PCC is responsible for the CFR and all borrowing)

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
NRE (£m)	123.303	132.551	140.987	144.977	151.315	157.515	159.895
Capital Financing Requirement (CFR in £m)	59.734	58.179	56.174	53.717	52.098	49.995	47.345
Interest	0.499	0.574	0.574	0.574	0.626	0.671	0.672
PFI interest	3.006	2.886	2.569	2.539	2.376	2.297	2.321
Total interest	3.505	3.460	3.143	3.113	3.002	2.968	2.993
Cost of borrowing as a % of NRE	2.84%	2.61%	2.23%	2.15%	1.98%	1.88%	1.87%
Level of debt (PWLB and PFI in £m)	55.501	51.146	46.677	40.006	39.528	41.050	40.012
Level of debt as % of NRE	45.01%	38.59%	33.11%	27.59%	26.12%	26.06%	25.02%

The CFR and the debt levels are the responsibility of the PCC. The debt level and CFR both include the PFI schemes which receive grant funding from the Home Office. The non PFI interest and debt levels are significant lower (Non PFI debt in 2022/23 is £25m, so 16% of NRE).

MEDIUM-TERM FINANCIAL PLANNING TOOLKIT

Leadership statement – L4

L4 The organisation has a developed financial strategy to underpin medium and longer-term financial health. The organisation integrates its business and financial planning so that it aligns resources to meet current and future outcome-focused business objectives and priorities.	No/Partly/ Yes (RAG)
1. Does the medium-term financial plan project forward the financial position for at least three years and is it based upon analysis of cost and income implications of policy choices?	Yes The Long-Term Financial Plan (LTFP) is published for the following 4 years. It is based upon the expected activity of the Force and based upon the policy decisions of the Force and the PCC who provides the funding to the Force.
2. Is the medium-term/longer-term financial plan embedded within the organisation's corporate business plan?	Yes The LTFP is constantly revisited in year and reflects the objectives of the Police and Crime Plan. The Force Management Statement (FMS) is linked to the LTFP and the 2 plans are produced at the same time for consistency.
3 Does the corporate business plan demonstrate how resources are allocated strategically to deliver the organisation's aims, objectives and priorities?	Yes The Corporate Business Plan is the Force Management Statement (FMS), and this details how the resources are allocated across the Force. There are other plans (Neighbourhood Policing Strategy, Serious and Organised Crime Strategy, Vulnerability Strategy etc.) that complement the FMS
4 Are operational plans fully aligned with the medium-term/longer-term financial plan?	Partly The operational plans are aligned to the FMS and hence the LTFP. Operational plans currently do not exist for every operational area of the Force and the FMS production timetable is not yet aligned fully to the LTFP production timetable.
5 Does the medium-term financial plan draw together realistic estimates of funding to support the achievement of strategic objectives?	Yes The LTFP is based on realistic assumptions and are drawn from government information where available. All assumptions used are documented and are challenged by the Chief Finance Officer (CFO). The LTFP and the FMS are linked.
6 Is the corporate business plan developed in collaboration with delivery partners and stakeholders?	YES The FMS is developed with all Heads of Service who are responsible for the delivery of their business area. Where appropriate there will be stakeholder and partner

	involvement, but this is only applicable in a small part of the Force
7 Are outcome-focused targets and performance indicators clearly set out in the corporate business plan and related operational plans?	PARTLY Work is continuing on the operational plans and there are regular reports to the Force Change and Investment Board (reviewing the direction of the Force and measuring demand and capacity). There are currently some KPI's for some of the enabling services but not for all areas of the Force. There are not operational plans in place for all areas of the Force and those that exist do not clearly set out targets. The FMS does measure demand and assets but there are no targets against each of the service areas
8 Does the medium-term financial plan examine scenarios to develop financial flexibility, adequate contingency and reserves based on a risk assessment and sensitivity analysis?	PARTLY The LTFP includes adequate contingencies and reserves and is risk assessed. There is no specific reference to scenario analysis in the LTFP. The reserves are the responsibility of the PCC, but the CC is aware of the requirement to provide value for money in the services that are provided.
9 Does the leadership team approve of and understand the demand management strategies for demand-led services and activities?	YES The Chief Officer Group approve the FMS and the LTFP and hence are aware of and understand the demand led services and activities as these are clearly signposted in the FMS.
10 Does the board and management team regularly review priorities to enable resources to be redirected from areas of lesser priority, not relying principally on pro rata cuts to generate savings?	YES The Chief Officer Team (COT) and the Executive Management Board are provided with regular reviews at their meetings. There are daily pacesetter meetings chaired by a member of the Executive Team and which deal with immediate demand and priorities. The monthly budget monitoring report which is presented to COT indicates where there are pressures and savings and all areas of operational policing have their own boards where resources and priorities are discussed and can be raised at COT and Executive Board if needed.
11 Are individual delivery partnerships and related financial impacts evaluated to ensure they are linked clearly to policy objectives and organisational goals/outcomes?	YES The main partnership arrangements are for the collaborations with other Forces and these work on a lead force model with Board meetings and a clear link to the policy objectives of the collaboration.
12 Does the leadership team consider alternative arrangements where the performance of a partnership is not meeting expected levels?	YES All arrangements are kept under review and where appropriate are terminated or amended (dogs unit, CDSOU, MIT).

13 Are there clear financial management policies that together underpin sound and sustainable long-term finances?	YES There are clear financial policies and procedures in place which are applicable to both the short term and long-term financial plans.
14 Do financial management policies support strategic business aims, resilience and financial standing?	YES The financial management policies are designed to ensure that good practise (as required by Cipfa) is aligned to ensuring that the budgets are sufficiently flexible to support the aims of the CC and the PCC.
15 Does the organisation prepare a workforce strategy and is this aligned and embedded with the corporate plan?	YES There is a workforce plan which is complementary to and mirrored in the FMS. The LTFP and the FMS are consistent in terms of finance.
16 Are workforce-related performance, costs and liabilities incorporated within strategic planning formulation, e.g. pension liabilities, sickness and absence?	PARTLY There is a workforce plan in place and a People and Wellbeing Board operate. There are currently recruitment and retention issues and a strategy is being formulated to deal with this issue. Pension Liabilities and Accumulated Absence Adjustments are included in the statement of accounts as required by the Accounting Code of Practice. There is a high amount of TOIL/RDIL/Flexi owed and there is no plan for the management of this. There is currently no real time collection of the actual hours worked in a week and hence no ability to ensure compliance with the requirements of the working time directive.

Processes Statement- PR10

PR10 The organisation's medium-term financial planning process underpins fiscal discipline, is focused upon the achievement of strategic priorities and delivers a dynamic and effective business plan.	No/Partly/ Yes (RAG)
1 Does the organisation produce a medium-term financial plan covering a minimum period of three years?	YES The LTFP is a living document so is constantly updated. The LTFP is published annually and is for the next financial year and the 3 after.
2 Is the medium-term financial plan consistent with the organisation's aims and objectives and reflective of a business plan for the organisation?	YES The LTFP and the FMS are linked. In addition, there is a significant amount of work being carried out to ensure that the Towards 2025 (T2025) plan is also included in the financial planning process as this will reshape the Force over the next 3 years.
3 Does the organisation use formal processes to link the medium-term financial plan to other organisational plans (e.g. IT strategies, workforce strategy, asset management plans and service development plans)?	YES The FMS, workforce plan, digital strategy and the estates strategy are all linked to the financial planning process (for both revenue and capital expenditure and there is also a process to collect the revenue costs of capital schemes). The work of T2025 is captured through reporting to the Executive Management Board which the CFO attends and hence any financial implications that are not already in the plan, are picked up here.
4 Does the organisation use formal processes to link the medium-term financial plan to the annual operational budgets?	YES The LTFP is just a high-level summary of the detailed annual budgets. The annual budgets are detailed so that every employee's costs are calculated, and every budget line is assessed to ensure it is at the correct level for each year. All capital schemes are subject to individual business case submission and are linked to the relevant operational strategy and to the revenue budgets.
5 Does the medium-term financial plan fully reflect the implementation of new technology to workflow processes and impacts on the workforce and overheads?	YES All new technology is linked from the digital strategy to the LTFP. Most new technology is capital expenditure, and this is approved through business cases which also detail the revenue implications of the schemes. The ICT and Digital service revenue budgets are linked to the digital strategy and baseline work is carried out as part of the LTFP update process to ensure that all known costs are included in the LTFP.
6 Does the medium-term financial plan consider options for new sources of income, new ways of reducing costs and	YES Given the restricted powers that the Force operate under, there are few additional new

new ways of attracting additional sources of funding?	sources of income, but these are considered. The budget had been cut in real terms for consecutive years from 2010 to 2019 so that there had already been considerable work undertaken on cost reduction and attracting additional sources of funding but in reality, these are extremely restricted.
7 Does the medium-term financial plan incorporate the organisation's asset management planning, including an assessment of the condition, sufficiency and suitability of assets in light of business needs?	YES The Estates strategy considers the non-ICT assets (including condition, suitability, replacement date etc.) and this is included in the LTFP planning process. The digital strategy considers all the ICT assets and there is a rolling programme of replacements planned. This too is included in the LTFP planning process.
8 Does the organisation automatically recalibrate its medium-term financial plan for any changes arising from budget setting, forecasting or actual performance monitoring processes?	YES The LTFP is a living document (and published annually) and is produced as a summary from the detailed individual budgets. Where there are movements in budgets and pressures identified from budget monitoring then these are updated in the individual budgets and therefore automatically in the LTFP.
9 Does the medium-term financial plan take account of local and national priorities, changing legal requirements, demographic trends and demand levels, and national standards?	YES The LTFP is assessed at least annually as every budget line is reassessed on this basis (budgets and assumptions are updated as changes are known and if there are no known changes then all budgets are reassessed as the budget setting process).
10 Does the organisation's medium-term financial plan reflect joint planning with partners and other stakeholders? Do delivery partners' financial plans link with the medium-term financial plan?	YES The major stakeholders and partners are in respect of the collaborations and they are administered by other Police Forces who work to the same budget timetable. The PCC and all government departments also work to the same budget setting requirements and so ensure that they have announced the funding in sufficient time to allow the CC to set the budget and hence the LTFP.
11 Is the medium-term financial plan regularly reviewed and approved by the board?	YES The LTFP is constantly being updated. The monthly budget monitoring reports (including an outturn position) are presented to the COT and Executive Management Board and any budget pressures that impact on future years are reported in the monthly report. If there is a significant pressure, then the LTFP would be updated and presented to the COT and Executive Management Board.
	YES The published LTFP is at a point in time and considers all known changes. Business cases

<p>12 Does the medium-term plan take account of business cases 'in the system' that have not yet been approved?</p>	<p>are managed through the Triage Board and if approved, are then presented to the finance triage board to determine where funding can be allocated from. There is a capital development fund budget allocated annually for emerging capital schemes and if there are revenue business cases that cannot be funded but are assessed as being urgent then a separate report would be presented to the COT to determine which activity which has been allocated funding could be stopped and the new scheme prioritised.</p>
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