

FINANCIAL REGULATIONS AS AT MARCH 2022

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OVERVIEW

1. Public sector accounting is covered by a range of government legislation and accounting standards that are designed to ensure proper accountability for public funds. In addition, the Home Office has issued a Financial Management Code of Practice under section 17 of the Police Reform and Social Responsibility Act 2011 and section 39 of the Police Act 1996 which permit the Secretary of State to issue codes of practice to all Police and Crime Commissioners (Commissioner's) and Chief Constables.
2. Each Commissioner and their respective Chief Constable is established in law as a corporation sole within the 2011 Act. As such, both are enabled by law to employ staff and hold funds in their official capacity. Chief Constables are charged with the impartial direction and control of all constables and staff within the police force that they lead. Staff of the Commissioner are accountable to the directly elected holder of that office.
3. The public accountability for the delivery and performance of the police service is placed into the hands of the PCC on behalf of their electorate. The PCC draws on their mandate to set and shape the strategic objectives of their force area in consultation with the Chief Constable. They are accountable to the electorate; the Chief Constable is accountable to their PCC. The Police and Crime Panel within each force area is empowered to maintain a regular check and balance on the performance of the PCC in that context.
4. The PCC within each force area has a statutory duty and electoral mandate to hold the Chief Constable to account on behalf of the public.
5. The PCC may appoint a Deputy PCC who may exercise any function of the PCC
6. The PCC is the recipient of all funding, including the government grant and precept and other sources of income, related to policing and crime reduction and all funding for a force must come via the PCC. How this money is allocated is a matter for the PCC in consultation with the Chief Constable, or in accordance with any grant terms. The Chief Constable will provide professional advice and recommendations.
7. The PCC and the Chief Constable are both required to appoint a chief finance officer.
8. To conduct their business effectively, the Police and Crime Commissioner and the Chief Constable need to ensure that they have sound financial management policies in place and that they are strictly adhered to. Part of this process is to adopt and implement Financial Regulations. The Regulations contained herein have been drawn up in such a way as to ensure that the financial matters of the Police and Crime Commissioner and the Chief Constable are conducted properly and in compliance with all necessary requirements.
9. The Regulations are designed to establish overarching financial responsibilities, to confer duties, rights and powers upon the PCC, the Chief Constable and their officers and to provide clarity about the financial accountabilities of groups or

individuals. They apply to every member and officer of the service and anyone acting on their behalf. They should be read in conjunction with and alongside the Joint Corporate Governance Framework and the Standing Orders relating to Contracts.

10. A modern organisation should also be committed to innovation, within the regulatory framework, providing that the necessary risk assessment and approval safeguards are in place.

CONTENT

11. The Financial Regulations are divided into a number of sections, each with detailed requirements relating to the section heading. References are made throughout the individual sections to delegated limits of authority. These are also summarised in Section 6.

- Section 1 - Financial management
- Section 2 - Financial planning
- Section 3 - Management of risk and resources
- Section 4 - Systems and procedures
- Section 5 - External arrangements
- Section 6 - Summary of financial limits

DEFINITIONS WITHIN THE REGULATIONS

12. For the purposes of these Regulations

13. The PCC's chief finance officer is referred to as the PCC CFO.

14. The Chief Constable's chief finance officer is the CC CFO

15. The Chief Executive of the Office of the Police and Crime Commissioner also fulfils the Chief Executive and Monitoring Officer role

16. The OPCC shall refer to the PCC, and all members of staff reporting directly to the PCC

17. The 'Constabulary' shall refer to the Chief Constable, police officers, police staff, police community support officers (PCSO), special constabulary, volunteers and other members of the wider police family under his direction.

18. Chief Officers when referred to as a generic term shall mean the Chief Executive of the OPCC, PCC CFO, Chief Constable, CC CFO and all other members of the Chief Constable's Chief Officer Group

19. 'Employees' when referred to as a generic term shall refer to police officers, police staff (Constabulary and OPCC), PCSOs and other members of the wider police family.

20. The expression 'authorised officer' refers to employees authorised by a chief officer.

21. The expression 'contract' refers to any commitment (including purchase orders, memoranda of understanding, leases and service level agreements) to acquire, purchase or sell goods, services or building works made on behalf of the PCC, the Constabulary or their affiliated bodies.

22. The expression 'best value for money' shall mean the most cost effective means of meeting the need and takes account of whole life costs.

23. The expression 'he' shall refer to both male and female.

24. Within these Regulations, most of the references have been made to the responsibilities of the Chief Constable since most of the day to day financial management is vested with that post. However, where resources are under the control of the Chief Executive or PCC CFO, the duties, rights and powers as detailed for the Chief Constable shall apply equally to the Chief Executive or PCC CFO.

25. The terms Chief Constable, CC CFO, Chief Executive and PCC CFO include any member of staff, contractors or agents to whom particular responsibilities may be delegated. However, the level of such delegated responsibility must be evidenced clearly, made to an appropriate level, and the member of staff given sufficient authority, training and resources to undertake the duty in hand.

STATUS

26. These Financial Regulations and the responsibilities therein, must be read as part of the overall Joint Corporate Governance Framework of the Police and Crime Commissioner and Chief Constable that includes the Policing Protocol, codes of conduct and the scheme of governance.
27. The PCC, Chief Constable and all employees have a general duty to take reasonable action to provide for the security of assets under their control and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value.
28. Financial Regulations explain the working financial relationship between the PCC and the Chief Constable and their respective chief financial officers, having regard also to the role played by the PCCs Chief Executive.
29. The PCC and Chief Constable are jointly responsible for approving or amending Financial Regulations.
30. The PCC CFO and CC CFO are jointly responsible for maintaining a regular review of Financial Regulations every two years as part of the rolling programme of review (as referred to in the Joint Corporate Governance Framework and submitting any additions or amendments to the PCC and Chief Constable, after consulting with the Chief Executive.
31. More detailed Financial Instructions to supplement these Regulations, will be issued by the Chief Constable on the intranet pages for the finance portfolio
32. Chief Officers are responsible for ensuring that all employees, contractors and agents are aware of the existence and content of these Financial Regulations and that they are complied with.
33. Breaches of Financial Regulations of a serious nature may result in disciplinary proceedings and, potentially, criminal action. Such cases shall be reported to the PCC CFO and/or CC CFO who shall determine, after consulting with the Chief Executive, whether the matter shall be reported to the PCC and/or Chief Constable.
34. The PCC, Chief Constable and all employees have a duty to abide by the highest standards of probity (i.e. honesty, integrity and transparency) in dealing with financial issues.
35. These Financial Regulations (including Standing orders relating to contracts) apply to all activities undertaken by or on behalf of the Police and Crime Commissioner and Chief Constable including those where Lancashire Constabulary is the lead force in a collaboration or partnership activity, irrespective of where the funding for the activity comes from (e.g. Government grants, contributions from partners, fees and charges etc.)

EXECUTIVE SUMMARY OF FINANCIAL LIMITS

		Limits	Responsibility	paragraph
Virements		Up to £250,000	CC's CFO	2.7.6
		£250,000 - £500,000	CC's CFO & PCC's CFO PCC's CFO & Chief Executive	
		Above £500,000	PCC	
Land & Buildings	Enter into short term hires of less than one month or Use for covert operational purposes		Chief Constable	3.5.20 and 3.5.22
	All others		PCC	3.5.21
Asset Acquisition	Vehicles	In accordance with the agreed capital programme and budgets	Chief Constable	3.5.7
	ICT	In accordance with the agreed capital programme and budgets	Chief Constable Chief Executive	3.5.7
	Plant & Equipment	In accordance with the agreed capital programme and budgets	Chief Constable Chief Executive	3.5.7
Asset Register	Land & Buildings	£100,000	CC's CFO	3.5.22
	Vehicles	£5,000	CC's CFO	3.5.22
	ICT	£15,000	CC's CFO PCC's CFO	3.5.22
	Plant & Equipment	£15,000	CC's CFO PCC's CFO	3.5.22
Asset Disposal	Vehicles	At the most advantageous price in accordance with the agreed disposal policy	Chief Constable	3.5.13
	ICT	At the most advantageous price in accordance with the agreed disposal policy	Chief Constable	3.5.13

	Plant & Equipment	At the most advantageous price in accordance with the agreed disposal policy	Chief Constable	3.5.13
Public Works, Services and Supplies		All Contracts meeting the criteria of a key decision	PCC	3.5.8
		All other contracts	Chief Executive Chief Constable	3.5.7
Public Gifts, Loans & Hospitality		Up to £50,000	CC	3.11.6
		Above £50,000	PCC	3.11.7
Write-off bad debt		Up to £30,000 in accordance with the agreed Bad Debt Policy	CC's CFO PCC's CFO	4.2.12
		Above £30,000 in accordance with the Bad Debt Policy	PCC	4.2.12
Write-Off pension and payroll overpayments		Up to £10,000	CC's CFO	4.4.8
		Above £10,000	PCC	4.4.8
Write-off of stocks and stores		Up to £10,000	CC CFO	3.5.26 & 3.5.27
		Above £10,000	PCC CFO	3.5.26 & 3.5.27
Compensation Claims	General accident	Below £50,000	Chief Constable	3.3 of the scheme of consent
		Above £50,000	PCC/PCC's Chief Executive	
Employee Related Compensation Payments		Below £50,000	Chief Constable	3.3 of the scheme of consent
		Above £50,000	PCC/PCC's Chief Executive	
Ex-gratia		Up to £30,000	CC's CFO or PCC's Chief Executive	4.7.4
		Above £30,000	PCC	4.7.4
Fees and Charges			PCC	4.2

SECTION 1 - FINANCIAL MANAGEMENT

1.1 FINANCIAL MANAGEMENT

The Police and Crime Commissioner (PCC)

1.1.1 The PCC has a statutory duty and electoral mandate to ensure an efficient and effective police service and to hold the Chief Constable to account on behalf of the public. The PCC is the recipient of funding relating to policing and crime reduction,

including government grant, council tax precept and other sources of income. How this money is allocated is a matter for the PCC in consultation with the Chief Constable, or in accordance with any grant terms. The statutory officers of the Chief Constable and the PCC will provide professional advice and recommendations.

1.1.2 The PCC shall appoint a Chief Financial Officer (the PCC CFO) to be responsible for the proper administration of the commissioner's financial affairs. He shall also appoint a Chief Executive who shall act as the PCC's monitoring officer.

1.1.3 The PCC is responsible for approving the policy framework and budget, monitoring financial outcomes and the approval of medium term financial plans in consultation with the Chief Constable. He is responsible for approving the overall framework of accountability and control, and monitoring compliance. In relation to these Financial Regulations this includes:

- Police and Crime Plan
- Financial strategy
- Annual revenue budget
- Capital programme
- Capital Strategy
- Treasury management strategy, including the annual investment strategy
- Asset management strategy
- Risk management strategy
- Governance policies
- Procurement Strategy
- Reserves Strategy

1.1.4 The PCC is responsible for approving procedures for recording and reporting decisions taken and for monitoring compliance with agreed policy and related executive decisions.

1.1.5 The PCC is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework.

1.1.6 The PCC shall provide his Chief Finance Officer with such staff, accommodation and other resources as are in his opinion sufficient to allow his duties under this section to be performed

The Chief Constable

1.1.7 The Chief Constable is responsible for maintaining the Queen's Peace and has direction and control over the Constabulary's officers and staff. The Chief Constable holds office under the Crown, but is appointed by the PCC.

1.1.8 The Chief Constable is accountable to the law for the exercise of police powers and to the PCC for the delivery of efficient and effective policing, management of resources and expenditure by the police force. At all times the Chief Constable, his officers and staff, remain operationally independent in the service of the public.

1.1.9 To help ensure the effective delivery of policing services the Chief Constable employs all officers and staff within the Constabulary and has day to day responsibility for financial management of the Constabulary within the framework of the agreed budget allocation and levels of authorisation issued by the PCC.

1.1.10 The Chief Constable shall appoint a Chief Finance Officer (CC CFO) to be responsible for the proper administration of the Chief Constable's financial affairs.

1.1.11 The Chief Constable must ensure that the financial management of the allocated budget remains consistent with the objectives and conditions set by the PCC. The Chief Constable will discharge this through the CC CFO who will lead for the Constabulary on financial management.

1.1.12 When the Chief Constable intends to make a change of policy or seeks to move significant sums of their budget then the approval of the PCC should be sought within limits of delegation approved.

1.1.13 The Chief Constable shall provide the CC CFO with such staff, accommodation and other resources as are in his opinion sufficient to allow his duties under this section to be performed

1.1.14 The Chief Constable is responsible for the day to day financial management of the Constabulary within the framework of the budget, rules of virement and reporting arrangements. In operating day to day financial management, the Chief Constable shall comply with the approved policies and framework of accountability.

1.1.15 The Chief Constable shall prepare Financial Instructions to supplement the Financial Regulations and provide detailed instructions on the operation of the specific financial processes delegated to the Chief Constable. The Chief Constable shall ensure that all employees are made aware of the existence of these Regulations and are given access to them. Where appropriate, training shall be provided to ensure that the Regulations can be complied with.

The Joint Audit & Ethics Committee

1.1.16 The Home Office Financial Management Code of Practice states that the PCC and Chief Constable should establish an independent audit committee. This should be a combined body which will consider the internal and external audit reports of both the PCC and the Chief Constable. This committee will advise the PCC and the Chief Constable according to good governance principles and will adopt appropriate risk management arrangements in accordance with proper practices. In establishing the Joint Audit and Ethics Committee the PCC and Chief Constable shall have regard to all relevant CIPFA Guidance on Audit Committees.

1.1.17 The Joint Audit and Ethics Committee shall establish formal terms of reference, covering its core functions, which shall be formally adopted and reviewed on an annual basis

1.1.18 The PCC and Chief Constable shall be represented at all meetings of the Joint Audit and Ethics Committee

The PCC CFO

1.1.19 The PCC CFO has a statutory responsibility for proper financial administration and a personal fiduciary responsibility to the local council taxpayer.

1.1.20 The PCC CFO's statutory responsibilities are set out in:

- Paragraph 6 of Schedule 1 to the Police Reform and Social Responsibility Act 2011
- Section 114 Local Government Finance Act 1988 (formal powers to safeguard lawfulness and propriety in expenditure)
- The Accounts and Audit Regulations 2015

1.1.21 The PCC CFO is the PCC's professional adviser on financial matters and shall be 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, council tax 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; when it appears that any expenditure is likely to exceed the resources available to it to meet that expenditure;
- advising the PCC on the robustness of the estimates and the adequacy of financial reserves;
- preparing the annual statement of accounts for the PCC and Group, in conjunction with the CC CFO
- ensuring the provision of an effective internal audit service, in conjunction with the CC CFO;
- securing the treasury management function, including loans and investments;
- advising, in consultation with the Chief Executive on the safeguarding of assets, including risk management and insurance,
- arranging for the determination and issue of the precept
- liaising with the external auditor; and
- 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.

1.1.22 The PCC CFO, in consultation with the Chief Executive, CC CFO and/or Chief Constable as appropriate, shall be given powers to institute any proceedings or take any action necessary to safeguard the finances of the PCC and Chief Constable.

1.1.23 The PCC CFO has certain statutory duties which cannot be delegated, namely, reporting any potentially unlawful decisions by the PCC on expenditure and

preparing each year, in accordance with proper practices in relation to accounts, a statement of the PCC's accounts, including group accounts.

1.1.24 The PCC CFO is the PCC's professional adviser on financial matters. To enable him to fulfil these duties and to ensure the PCC is provided with adequate financial advice the PCC CFO:

- must be a key member of the PCC's Leadership Team, working closely with the Chief Executive, helping the team to develop and implement strategy and to resource and deliver the PCC's strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on, all strategic business decisions, of the PCC, to ensure that the financial aspects of immediate and longer term implications, opportunities and risks are fully considered, and aligned with the PCC's financial strategy;
- must lead the promotion and delivery by the PCC of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively; and
- must ensure that the finance function is resourced to be fit for purpose.

The CC CFO

1.1.25 The CC CFO is the Chief Constable's Chief Finance Officer with responsibility for proper financial administration and a personal fiduciary responsibility to the local council taxpayer

1.1.26 The CC CFO is responsible to the Chief Constable for all financial activities within the Force or contracted out under the supervision of the Constabulary.

1.1.27 The CC CFO's responsibilities are set out in:

- Paragraph 4 of Schedule 2 and paragraph 1 of Schedule 4 to the Police Reform and Social Responsibility Act 2011
- Section 114 Local Government Finance Act 1988 (formal powers to safeguard lawfulness and propriety in expenditure)
- The Accounts and Audit Regulations 2015

1.1.28 The CC CFO is responsible for:

- ensuring that the financial affairs of the force are properly administered and that these financial regulations are observed and kept up to date;
- reporting to the Chief Constable, the PCC, the PCC CFO and to the external auditor any unlawful, or potentially unlawful, expenditure by the Chief Constable or officers of the Chief Constable when it appears that any expenditure of the Chief Constable is likely to exceed the resources available to it to meet that expenditure
- 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;
- working with the PCC CFO's staff to produce the statement of accounts for the Chief Constable and to assist in the production of the group accounts.

1.1.29 The CC CFO has certain statutory duties which cannot be delegated, namely, reporting any potentially unlawful decisions by the force on expenditure and preparing each year, in accordance with proper practices in relation to accounts, a statement of the Chief Constable's accounts. The CC CFO will need to observe the locally agreed timetable for the compilation of the group accounts by the PCC CFO.

1.1.30 The CC CFO is the Chief Constable's professional adviser on financial matters. To enable him to fulfil these duties the CC CFO:

- must be a key member of the Chief Constable's Chief Officer Group (COG), helping it to develop and implement strategy and to resource and deliver the PCC's strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on, all strategic business decisions of the Chief Constable to ensure immediate and longer term implications, opportunities and risks are fully considered;
- must lead the promotion and delivery by the Chief Constable of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively; and
- must ensure that the finance function is resourced to be fit for purpose.

1.1.31 It must be recognised that financial regulations cannot foresee every eventuality. The CC CFO in consultation with the PCC CFO, shall be responsible for interpreting these regulations so as to ensure the efficient and effective operation of services.

The Chief Executive of the Office of the Police and Crime Commissioner

1.1.32 The Chief Executive is responsible for the leadership and general administration of the PCC's office.

1.1.33 The Chief Executive is also the PCC's designated Chief Executive and Monitoring Officer, appointed under section 5(1) of the Local Government and Housing Act 1989.

1.1.34 The Monitoring Officer is responsible for:

- ensuring the legality of the actions of the PCC and his officers.
- ensuring that procedures for recording and reporting key decisions are operating effectively
- advising the PCC and officers about who has authority to take a particular decision
- advising the PCC about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework
- advising the PCC on matters relating to standards of conduct

1.2 FINANCIAL MANAGEMENT STANDARDS

Why is this important?

1.2.1 The PCC, Chief Constable and all employees have a duty to abide by the highest standards of probity (i.e. honesty, integrity and transparency) in dealing with financial issues. This is facilitated by ensuring that everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

Joint Responsibilities of the PCC CFO and CC CFO

1.2.2 To ensure the proper administration of the financial affairs of the Police and Crime Commissioner and Chief Constable

1.2.3 To ensure that proper practices are adhered to

1.2.4 To advise on the key strategic controls necessary to secure sound financial management

1.2.5 To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators

1.2.6 To ensure that all staff are aware of, and comply with, proper financial management standards, including these Financial Regulations.

1.2.7 To ensure that all staff are properly managed, developed, trained and have adequate support to carry out their financial duties effectively.

1.3 ACCOUNTING RECORDS AND RETURNS

Why is this important?

1.3.1 The PCC and Chief Constable will help discharge their responsibility for stewardship of public resources by maintaining proper accounting records and effective reporting arrangements. The PCC and Chief Constable have a statutory responsibility to prepare their own annual accounts, and the group accounts, to present fairly their operations during the year. These are subject to external audit. This audit provides assurance that the two separate sets of accounts have been prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of resources.

Joint Responsibilities of the PCC CFO and CC CFO

1.3.2 To determine the accounting procedures and records for Police and Crime Commissioner and Chief Constable, in accordance with recognised accounting practices, and approve the strategic accounting systems and procedures employed by the PCC and Chief Constable. All employees shall operate within the required accounting policies and published timetables.

1.3.3 To make proper arrangements for the audit of the PCC, Constabulary and Group accounts in accordance with the Accounts and Audit Regulations.

1.3.4 To ensure that all claims for funds including grants are made by the due date

1.3.5 To ensure that bank reconciliations and other key control accounts are reconciled on a timely and accurate basis

1.3.6 To prepare and publish the audited accounts in accordance with the statutory timetable.

Responsibilities of the CC CFO

1.3.7 To obtain the approval of the PCC CFO before making any fundamental changes to accounting records and procedures or accounting systems

1.3.8 To ensure that all transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis

1.3.9 To maintain adequate records to provide a management trail leading from the source of income and expenditure through to the accounting statements

1.4 THE ANNUAL STATEMENT OF ACCOUNTS

Why is this important?

1.4.1 The PCC and Chief Constable have a statutory responsibility to prepare their own accounts to present fairly their operations during the year. They must be prepared in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The accounts will comprise separate statements for the PCC, Chief Constable as well as group accounts covering both entities.

1.4.2 The accounts are subject to detailed independent review by the external auditor. This audit provides assurance that the accounts are prepared correctly, that proper accounting practices have been followed and that arrangements have been made for securing economy, efficiency and effectiveness in the use of resources.

Joint Responsibilities of the PCC CFO and CC CFO

1.4.3 To agree and publish the timetable for final accounts preparation

1.4.4 To select suitable accounting policies and apply them consistently

1.4.5 To make judgements and estimates that are reasonable and prudent

1.4.6 To comply with the Code of Practice on Local Authority Accounting

1.4.7 To prepare, sign and date the separate statement of accounts, stating that they present fairly the financial position of the PCC, Chief Constable and Group at the accounting date and their income and expenditure for the financial year just ended

1.4.8 To publish the audited accounts each year, in accordance with the statutory timetable

Responsibilities of the PCC and Chief Constable

1.4.9 To consider and approve their annual accounts in accordance with the statutory timetable.

SECTION 2 – FINANCIAL PLANNING

2.1 FINANCIAL PLANNING

Why is this important?

2.1.1 The Police and Crime Commissioner and Chief Constable are responsible for delivering a range of policing activities. They need to develop systems to enable resources to be allocated in accordance with priorities. Financial planning is essential if they are to function effectively.

2.1.2 The financial planning process should be directed by the approved policy framework, the business planning process and the need to meet key objectives

2.1.3 The planning process should be continuous and the planning period should cover at least 3 years. The process should include a more detailed annual plan - the budget, covering the forthcoming financial year. This allows the PCC and Chief Constable to plan, monitor and manage the way funds are allocated and spent.

2.1.4 It is recognised that the impact of financial planning in the police service will be constrained by the quality and timeliness of information made available by central government on resource allocation.

2.2 FINANCIAL STRATEGY

2.2.1 The financial strategy explains how the PCC and Chief Constable will structure and manage their finances to support delivery of the aims and objectives of the service, as set out in the PCC's Police and Crime Plan and the Constabulary commitment to the public, and to ensure sound financial management and good stewardship of public money.

Responsibilities of the PCC CFO and CC CFO

2.2.2 To review and update, on an annual basis, the financial strategy

Responsibility of the PCC

2.2.3 To approve the annual financial strategy

2.3 MEDIUM TERM FINANCIAL PLANNING

2.3.1 The PCC and Chief Constable share a responsibility to provide effective financial and budget planning for the short, medium and longer term. They achieve this by preparing a medium term (3-5 years) financial plan (revenue) and medium term capital plan.

Responsibilities of the PCC

2.3.2 To identify and agree, in consultation with the Chief Constable and other relevant partners and stakeholders, a medium term financial strategy which includes

funding and spending plans for both revenue and capital. The strategy should take into account multiple years, the inter-dependencies of revenue budgets and capital investment, the role of reserves and consideration of risks. It should have regard to affordability and also to CIPFA's current Prudential Code for Capital Finance in Local authorities.

The strategy should be aligned with the Police and Crime Plan.

Responsibilities of the PCC CFO and CC CFO

2.3.3 To determine the format and timing of the medium term financial plans to be presented to the Chief Constable and PCC. The format is to comply with all legal requirements and with latest guidance issued by CIPFA.

2.3.4 To prepare a medium-term forecast of proposed income and expenditure for submission, initially to the Chief Constable's Management Team, and then to the PCC. When preparing the forecast, the PCC CFO and CC CFO shall have regard to:

- the police and crime plan
- Force Management Statement
- Constabulary purpose, objective and values
- policy requirements approved by the PCC as part of the policy framework
- the strategic policing requirement
- unavoidable future commitments, including legislative requirements
- initiatives already underway
- revenue implications of the draft medium term capital plan
- proposed service developments and plans which reflect public consultation
- the need to deliver efficiency and/or productivity savings
- government grant allocations
- potential implications for local taxpayers

2.3.5 To prepare a medium term forecast of potential resources, including options for the use of general balances, reserves and provisions, and an assumption about future levels of government funding.

2.3.6 A gap may be identified between available resources and required resources. Requirements should be prioritised by the Chief Constable to enable the PCC to make informed judgements as to future funding levels and planning the use of resources.

2.4 ANNUAL REVENUE BUDGET

2.4.1 The revenue budget provides an estimate of the annual income and expenditure requirements for the police service and sets out the financial implications of the PCCs strategic policies. It provides Chief Officers with authority to incur expenditure and a basis on which to monitor the financial performance of both the PCC and the Constabulary.

2.4.2 The PCC should consult with the Chief Constable and other relevant partners and stakeholders in planning the overall annual budget which will include a separate

Constabulary budget allocation. This will take into consideration funding from government and from other sources, and balance the expenditure needs of the policing service, community safety and victims and witnesses against the level of local taxation. This should meet the statutory requirements to achieve a balanced budget (Local Government Act 2003) and be completed in accordance with the statutory timeframe.

2.4.3 The impact of the annual budget on the priorities and funding of future years as set out in the Police and Crime Plan and the medium term financial strategy should be clearly identified.

Responsibilities of the PCC

2.4.4 To agree the planning timetable with the Chief Constable

2.4.5 To obtain the views of the local community on the proposed expenditure (including capital expenditure) in the financial year ahead of the financial year to which the proposed expenditure relates.

2.4.6 To present his proposed council tax precept to the Police and Crime Panel each year and to have regard to any report or recommendation that the Panel makes in response.

Responsibilities of the PCC CFO

2.4.7 To determine the format of the revenue budget to be presented to the PCC. The format is to comply with all legal requirements and with latest guidance issued by CIPFA

2.4.8 To obtain timely and accurate information from billing authorities on the council taxbase and the latest surplus/deficit position on collection funds to inform budget deliberations

2.4.9 To advise the PCC on the appropriate level of general balances, earmarked reserves and provisions to be held.

2.4.10 To submit a report to the PCC on (1) the robustness of the estimates and the adequacy of reserves and (2) the suite of prudential indicators for the next three years, arising from the Prudential Code for Capital Finance in Local Authorities. These indicators shall be consistent with the annual revenue budget and capital programme approved by the PCC.

2.4.11 Upon approval of the annual budget, to submit the council tax requirement return to central government and precept requests to appropriate bodies in accordance with the legal requirement.

2.4.12 To produce and publish, in accordance with statutory requirements and timescales, the council tax information leaflet and send a web-link to the billing authorities.

Responsibilities of the CC CFO

2.4.13 To prepare detailed budget estimates for the forthcoming financial year in accordance with the timetable agreed with the PCC CFO.

2.4.14 To submit draft budget proposals to the Chief Constable's Management Team to obtain approval from the Chief Constable

2.4.15 To submit estimates in the agreed format to the PCC for approval, including details of council tax implications and precept requirements.

2.5 BUDGETARY CONTROL

Why is this important?

2.5.1 Budget management ensures that once the PCC has approved the budget, resources allocated are used for their intended purpose and are properly accounted for. Budgetary control is a continuous process, enabling both the Chief Constable and PCC to review and adjust their budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

2.5.2 The key controls for managing and controlling the revenue budget are that:

a) there is a nominated budget manager for each cost centre heading who is accountable for the budgets under his/her direct control; and

b) the management of budgets must not be seen in isolation. It should be measured in conjunction with service outputs and performance measures

2.6 REVENUE MONITORING

Why is this important?

2.6.1 By continuously identifying and explaining variances against budgetary targets, Lancashire Constabulary can identify changes in trends and resource requirements at the earliest opportunity. The PCC and Chief Constable both operate within an annual cash limit, approved when setting the annual budget. To ensure that the total budget does not overspend, the CC CFO and PCC CFO are required to manage expenditure within their budget allocations, subject to the rules of virement.

Responsibilities of the CC CFO

2.6.2 To provide appropriate financial information to enable budgets to be monitored effectively.

2.6.3 To ensure that each element of income or expenditure has a nominated budget manager to take responsibility for that part of the budget. Budget responsibility should be aligned as closely as possible to the decision making process that commits expenditure.

2.6.4 To ensure that total spending for operational policing remains within the overall allocation of resources and takes corrective action where significant variations from the approved budget are forecast. Where total projected expenditure exceeds the total allocation of resources due to circumstances beyond the control of the Chief Constable, both the PCC CFO and PCC shall be alerted immediately and proposals for remedy should be put forward as part of the regular reporting process to the PCC.

2.6.5 To submit a budget monitoring report to the Chief Constable's Management Team and the PCC on a regular basis throughout the year, containing the most recently available financial information.

Responsibilities of the PCC CFO

2.6.6 The same responsibilities apply to the Chief Executive and the PCC CFO for their budgets.

2.7 VIREMENT

Why is this important?

2.7.1 A virement is an approved reallocation of resources between budgets or heads of expenditure. A budget head is a line in the approved budget report. The scheme of virement is intended to enable chief officers to manage their budgets with a degree of flexibility within the overall policy framework determined by the PCC and, therefore, to provide the opportunity to optimise the use of resources to emerging needs.

2.7.2 The Chief Constable should only be required to refer back to the PCC when virement would incur substantive changes in the policy of the PCC or where a virement might create a future year or continuing commitment.

2.7.3 Key controls for the scheme of virement are:

- a) it is administered by chief officers in accordance within the limits set out in Financial Regulations. Any variation from this scheme requires the approval of the PCC
- b) the overall budget is agreed by the PCC. Chief officers and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget
- c) virement does not create additional overall budget liability.
- d) each chief officer shall ensure that virement is undertaken as necessary to maintain the accuracy of budget monitoring.

Responsibilities

2.7.4 The Chief Constable may use revenue provision to purchase capital items or carry out capital works subject to obtaining PCC approval where the proposed transfer exceeds £250,000.

2.7.5 The CC CFO can approve any virement, without limit, where the additional costs are fully reimbursed by other bodies, for example where a Local Authority contributes to the cost of police officers and/or staff.

2.7.6 For all other budgets, each chief officer, in consultation with the CC CFO, shall ensure that virement is undertaken as necessary to maintain the accuracy of budget monitoring, subject to the following approval levels

Constabulary Budget

*Up to £ 250,000 CC CFO
£250,000 - £500,000 PCC CFO & CC CFO
Over £500,000 PCC*

PCC's own budget

*Up to £250,000 PCC CFO
£250,000 - £500,000 Chief Executive & PCC CFO
Over £500,000 PCC*

2.7.7 The approval of the PCC CFO (or PCC depending on value) is required if an appropriation to/from earmarked revenue reserves or general revenue reserves is being sought, or the value of an existing appropriation is being amended.

2.6.8 Irrespective of the budget limit, the approval of the PCC shall be required if the virement involves:

- a) a substantial change in policy
- b) a significant addition to commitments in future years
- c) where resources to be transferred were originally provided to meet expenditure of a capital nature

2.8 CAPITAL PROGRAMME

Why is this important?

2.8.1 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and may create financial commitments in the form of financing costs and revenue running costs.

2.8.2 Lancashire Constabulary is able to undertake capital investment providing the spending plans are affordable, prudent and sustainable. CIPFA's latest Prudential code sets out the framework under which the Constabulary and PCC will consider their spending plans.

2.8.3 The capital programme is linked to the approved financial strategy.

2.8.4 A Capital Investment Programme will be produced, in accordance with the financial strategy, which shows all planned capital investment over the next 3-4 years. This plan will include a schedule to show how the planned expenditure will be funded.

2.8.5 A separate annual capital budget will be produced before the start of the financial year. Initially, this budget will include ongoing schemes from previous years as well as schemes approved by the PCC as part of the capital plan.

2.8.6 Where the Chief Constable procures capital items on behalf of consortium partners, these will be included in the medium term capital plan and the annual capital budget but identified as being financed by grant/contributions.

Responsibilities of the Chief Constable

2.8.7 To develop and implement asset management plans. These will inform the medium term and annual capital programmes.

Responsibilities of the PCC

2.8.8 To approve the estates asset management plan

2.9 MEDIUM TERM CAPITAL PLAN

Responsibilities of the CC CFO

2.9.1 To prepare a rolling programme of proposed capital expenditure, in accordance with the agreed financial strategy, for initial consideration by the Chief Constable's Management Team and then for presentation to the PCC. Each scheme shall identify the total capital cost of the project and any additional revenue commitments.

2.9.2 To identify, in consultation with the PCC CFO, available sources of funding for the medium term capital plan, including the identification of potential capital receipts from disposal of assets.

2.9.3 A gap may be identified between available resources and required capital investment. Requirements should be prioritised by the Chief Constable to enable the PCC to make informed judgements as to which schemes should be included in the capital plan, the minimum level of funding required for each scheme and the potential phasing of capital expenditure.

2.9.4 A fully funded medium term capital plan shall, on an annual basis, be presented to the PCC for consideration and approval

2.9.5 Approval of the capital programme by the PCC in January / February each year authorises the Chief Constable to seek planning permissions, incur professional fees and preliminary expenses as appropriate.

Responsibilities of the PCC CFO

2.9.6 To make recommendations to the PCC on the most appropriate level and application of revenue support, reserves and borrowing, under the Prudential Code, to support the capital plan.

Responsibilities of the PCC

2.9.7 To approve a fully funded medium term capital plan.

2.10 ANNUAL CAPITAL BUDGET

Responsibilities of the PCC

2.10.1 To agree the annual capital programme and how it is to be financed.

2.10.2 To hold the Chief Constable to account for delivery of effective capital schemes within budget.

Responsibilities of the Chief Constable

2.10.3 To present an annual capital budget to the PCC for approval

2.10.4 To ensure expenditure on individual schemes does not exceed the approved scheme budget by more than 10% or £100,000 whichever is the lower amount.

2.10.5 To ensure that finance leases or other credit arrangements are not entered into without the prior approval of the PCC CFO.

2.10.6 To ensure that, apart from professional fees (e.g. feasibility studies and planning fees) no other capital expenditure from within the capital budget is incurred before the contract is let and the scheme is included in the annual capital budget. This does not include self-funded projects outside the existing programme.

2.11 MONITORING OF CAPITAL EXPENDITURE

Responsibilities of the CC CFO

2.11.1 To ensure that adequate records are maintained for all capital contracts

2.11.2 To monitor expenditure throughout the year against the approved capital budget.

2.11.3 To submit capital monitoring reports to both the Chief Constable's Management Team and the PCC on a regular basis throughout the year. These reports are to be based on the most recently available financial information. The monitoring reports will show spending to date and compare projected income and expenditure with the approved budget.

2.11.4 For proposed in-year amendments to the annual capital budget, for schemes not already included in the medium term capital plan, to prepare a business case for

submission to the PCC for consideration and approval, including details on how the new scheme is to be funded.

Responsibilities of the PCC CFO and CC CFO

2.11.5 To report on the outturn of capital expenditure as part of the annual report on the statutory accounts.

2.12 MAINTENANCE OF BALANCES AND RESERVES

Why is this important?

2.12.1 The PCC must decide the level of general reserves he wishes to retain before he can decide the level of council tax. Reserves are maintained as a matter of prudence. They enable the organisation to provide for cash flow fluctuations and unexpected costly events and thereby help protect it from overspending the annual budget, should such events occur. Reserves for specific purposes may also be maintained where it is likely that a spending requirement will occur in the future.

Responsibilities of the PCC CFO

2.12.2 To advise the PCC on reasonable levels of balances and reserves.

2.12.3 To report to the PCC on the adequacy of reserves and balances before he approves the annual budget and council tax.

2.12.4 To produce the annual reserves strategy for approval by the PCC.

2.12.5 To approve appropriations to and from each earmarked reserve. These will be separately identified in the Annual Statement of Accounts.

Responsibilities of the CC CFO

2.12.6 To ensure that the annual revenue budget is sufficient to finance foreseeable operational needs without having to request additional approval.

2.12.7 To present a business case to the PCC CFO and PCC for one-off expenditure items to be funded from earmarked and/or general reserves.

Responsibilities of the PCC

2.12.8 To approve and publish a policy on reserves and balances, including lower and upper parameters for the level of general balances

2.12.9 To approve the allocation of monies to and from general and earmarked reserves, as part of the annual budget setting process.

SECTION 3 – MANAGEMENT OF RISK AND RESOURCES

3.1 RISK MANAGEMENT AND BUSINESS CONTINUITY

Why is this important?

3.1.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all potential significant corporate and operational risks. This should include the proactive participation of all those associated with planning and delivering services.

3.1.2 All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk cannot be eliminated altogether. However, risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of Lancashire Constabulary and to ensure the continued corporate and financial wellbeing of Lancashire Constabulary. In essence it is, therefore, an integral part of good business practice.

3.1.3 Business continuity is a key part of the risk management agenda and is concerned with ensuring that the organisation can continue to operate and deliver its critical services during a period of disruption.

Responsibilities of the PCC and Chief Constable

3.1.4 The PCC and Chief Constable are responsible for approving their own risk management policy statement and strategy, and for reviewing the effectiveness of risk management.

Responsibilities of Chief Officers

3.1.5 To prepare the Constabulary risk management policy statement and for promoting a culture of risk management awareness throughout the Constabulary and reviewing risk as an ongoing process.

3.1.6 To maintain and/or implement new procedures, as necessary and appropriate, to identify, assess, prevent or contain material known risks, with a monitoring process in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be formalised and conducted on a continuing basis

3.1.7 To ensure that appropriate business continuity plans are developed, implemented and tested on a regular basis

Responsibilities of the PCC CFO and CC CFO

3.1.8 To advise the PCC and Chief Constable on appropriate arrangements for insurance. Acceptable levels of risk should be determined and insured against where

appropriate. Activities leading to levels of risk assessed as unacceptable should not be undertaken.

3.1.9 To undertake a regular review of Lancashire Constabulary's own self insurance fund and, following that review, to recommend to the Chief Constable and PCC a course of action to ensure that, over the medium term, the fund is able to meet all known liabilities.

3.1.10 To ensure that appropriate insurance cover is provided.

3.1.11 To ensure that claims made by Lancashire Constabulary against insurance policies are made promptly

Responsibilities of the Chief Constable

3.1.12 To make all appropriate employees aware of their responsibilities for managing relevant risks

3.1.13 To ensure that employees, or anyone covered by Lancashire Constabulary insurance, is instructed not to admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim

3.1.14 To ensure that a comprehensive risk register is produced and updated regularly, and that corrective action is taken at the earliest possible opportunity to either transfer, treat, tolerate or terminate the identified risk

Responsibilities of the Chief Executive

3.1.15 To ensure that a comprehensive risk register is produced for the OPCC and is updated regularly, and that corrective action is taken at the earliest possible opportunity to either transfer, treat, tolerate or terminate the identified risk

Responsibilities of the Chief Executive and Constabulary's Head of Legal Services

3.1.16 To jointly evaluate and authorise any terms of indemnity that Lancashire Constabulary is requested to give by external parties.

3.2 INTERNAL CONTROL SYSTEM

Why is this important?

3.2.1 Internal control refers to the systems of control devised by management to help ensure objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that assets and interests are safeguarded.

3.2.2 Policing is complex and requires an internal control framework to manage and monitor progress towards strategic objectives. The Police and Crime Commissioner and Chief Constable has statutory obligations and therefore requires a system of internal control to identify, meet and monitor compliance with these obligations.

3.2.3 Lancashire Constabulary faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. A system of internal control is necessary to manage these risks. The system of internal control is established in order to provide achievement of:

- efficient and effective operations
- reliable financial information and reporting
- compliance with laws and regulations
- risk management

Responsibilities of Chief Officers

3.2.4 To implement effective systems of internal control, in accordance with advice from the PCC CFO and CC CFO. These arrangements shall ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They shall ensure that public resources are properly safeguarded and used economically, efficiently and effectively.

3.2.5 To ensure that effective key controls are operating in managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance information and taking appropriate anticipatory and remedial action where necessary. The key objective of these control systems is to define roles and responsibilities.

3.2.6 To ensure that effective key controls are operating in financial and operational systems and procedures. This includes physical safeguard of assets, segregation of duties, authorisation and approval procedures and robust information systems.

3.2.7 To produce separate Annual Governance Statements for consideration and approval by the PCC and Chief Constable.

3.3 AUDIT REQUIREMENTS

Joint Audit Committee

Why is this important?

3.3.1 The purpose of Committee is to provide those charged with governance (i.e. the PCC and Chief Constable) independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

Responsibilities of the PCC and Chief Constable

3.3.2 To recruit and appoint members of the Committee. These members should be independent of both the PCC and the Constabulary

3.3.3 To determine the Committee Terms of Reference

3.3.4 To prepare and sign annual letters of representation and submit to the external auditor

3.3.5 To receive and act upon the annual assurance statement from the Committee

Internal Audit

Why is this important?

3.3.6 Internal audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating the adequacy and effectiveness of internal controls that are in place to manage and mitigate financial and non-financial risk to support delivery of the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

3.3.7 The requirement for an internal audit function for local authorities is either explicit or implied in the relevant local government legislation (section 151 of the Local Government Act 1972), which requires that authorities "make arrangements for the proper administration of their financial affairs". In the Police Service the PCC and Chief Constable are required to maintain an effective audit of their affairs by virtue of the Accounts and Audit Regulations 2015 (as amended) which state that a "relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". The guidance accompanying the legislation states that proper internal control practices for internal audit are those contained in the Public Sector Internal Audit Standards.

3.3.8 In fulfilling this requirement the PCC and Chief Constable should have regard to the Public Sector Internal Audit Standards.

3.3.9 In addition to enable the PCC and the Chief Constable to fulfil their requirements in relation to the relevant Accounts and Audit Regulations, internal Audit is needed to satisfy the PCC and the Chief Constable that effective internal control systems are in place.

Responsibilities of the Joint Audit Committee

3.3.10 In terms of internal audit the Joint Audit Committee's operating principles will include the following key activities and responsibilities:

- Advising the PCC and Chief Constable on the appropriate arrangements for internal audit and noting and endorsing the Internal Audit Strategy.
- Noting and endorsing (but not directing) the internal audit annual programme.
- Overseeing and giving assurance to the PCC and Chief Constable on the provision of an

- adequate and effective internal audit service; receiving progress reports on the internal audit work plan and ensuring appropriate action is taken in response to audit findings, particularly in areas of high risk.
- Considering the Chief Internal Auditor's Annual Report and annual opinion on the internal control environment for the PCC and Chief Constable; ensuring appropriate action is taken to address any areas for improvement.

3.3.11 To note and endorse the Internal Audit Strategy and Joint Internal Audit Plan, which sets out the joint Internal Audit Team's:

- Objectives and outcomes;
- Planning methodology;
- Resources;
- Annual Plan; and
- Performance measurements.

Responsibilities of the PCC, Chief Constable, PCC CFO and CC CFO

3.3.12 To ensure the provision of an adequate and effective internal audit service.

3.3.13 To ensure that internal auditors, having been security cleared, have the authority to:

- access Lancashire Constabulary and OPCC premises at reasonable times
- access all assets, records, documents, correspondence, control systems and appropriate personnel, subject to appropriate security clearance
- receive any information and explanation considered necessary concerning any matter under consideration
- require any employee to account for cash, stores or any other Lancashire Constabulary asset under their control
- access records belonging to contractors, when required. This shall be achieved by including an appropriate clause in all contracts.

3.3.14 Internal Audit shall have direct access to all Chief Officers and employees, where necessary, to discharge their responsibilities.

Responsibilities of the PCC CFO and the CC CFO

3.3.15 To approve the annual internal audit plan, having considered the views expressed by stakeholders, including the Joint Audit & Ethics Committee

Responsibilities of the Chief Internal Auditor

3.3.16 To prepare - in consultation with the PCC, Chief Constable, PCC CFO and CC CFO – an annual audit plan that conforms to the Public Sector Internal Audit Standards, for consideration by the Joint Audit Committee.

3.3.17 To attend meetings of the Joint Audit Committee and to present a report on the progress in delivering the annual plan, the matters arising from audits, and the extent to which agreed actions in response to issues raised in the audit reports have been delivered.

3.3.18 To present an annual report to the Joint Audit Committee, including an opinion on the effectiveness of the internal control environment in Lancashire Constabulary.

Responsibilities of Chief Officers

3.3.19 To consider and respond promptly to control weaknesses and issues in audit reports and ensure that all critical or significant agreed actions arising from the audit are carried out in accordance with the agreed action plan included in each report.

Responsibilities of the PCC CFO

3.3.20 To ensure that new systems for maintaining financial records or records of assets, or significant changes to existing systems, are discussed with and agreed by the Chief Executive and internal audit prior to implementation.

3.3.21 To notify the Chief Executive immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of OPCC property or resources in accordance with the Commissioner's Anti-Fraud and Anti-Corruption Strategy.

Responsibilities of the CC CFO

3.3.20 To ensure that new systems for maintaining financial records or records of assets, or significant changes to existing systems, are discussed with and agreed by the PCC CFO and internal audit prior to implementation.

3.3.21 To notify the PCC CFO immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of Lancashire Constabulary property or resources. Pending investigation and reporting, the Chief Constable should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration. Investigation of internal financial irregularities shall normally be carried out by the Professional Standards Department, who shall consult with the Chief Internal Auditor as appropriate and keep him informed of progress. At the conclusion of the investigation the Chief Internal Auditor shall be informed of the outcome and agree with the Head of Professional Standards and the CC CFO whether any internal audit review of the internal controls would be beneficial. The operation of this Regulation shall be in accordance with the agreed protocol between the Head of Professional Standards, the CCC CFO and the Chief Internal Auditor.

External Audit

Why is this important?

3.3.22 The Public Sector Auditors Appointments (PSAA) Ltd is responsible for the appointment of the external auditors for the majority of local authorities in England.

3.3.23 The external auditor has rights of access to all documents and information necessary for audit purposes.

3.3.24 The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the National Audit Office [previously the Audit Commission] to prepare a code of audit practice, which external auditors follow when carrying out their duties. The code of audit practice sets out the auditor's objectives to review and report upon:

- the audited body's financial statements
- aspects of the audited body's arrangements to secure Value for Money.

3.3.25 In auditing the annual accounts the external auditor must satisfy themselves, in accordance with Section 5 of the 1998 Act, that:

- the accounts are prepared in accordance with the relevant regulations;
- they comply with the requirements of all other statutory provisions applicable to the accounts;
- proper practices have been observed in the compilation of the accounts; and
- the body whose accounts are being audited has made proper arrangements for securing economy, efficiency and effectiveness.

3.3.26 The 1998 Act sets out other specific responsibilities of the auditor, for example under the section on financial reporting.

Audit Responsibilities of the Joint Audit & Ethics Committee

3.3.27 To approve the annual work plan and fee

3.3.28 To receive and respond to the ISA 260 Audit Results report on the financial statements and value for money

3.3.29 To receive the annual audit letter

Responsibilities of the PCC CFO and CC CFO

3.3.30 To liaise with the external auditor and advise the PCC and Chief Constable on their responsibilities in relation to external audit and ensure there is effective liaison between external and internal audit.

3.3.31 To provide the Home Office with a copy of the annual audit letter

3.3.32 To ensure that for the purposes of their work the external auditors are given the access to which they are statutorily entitled in relation to Lancashire Constabulary premises, assets, records, documents, correspondence, control systems and personnel, subject to appropriate security clearance.

3.3.34 To respond to draft action plans and to ensure that agreed recommendations are implemented in a timely manner.

Responsibilities of the PCC and Chief Constable

3.3.35 To select and appoint the external auditor for the audit of the financial statements.

3.4 PREVENTING FRAUD AND CORRUPTION

Why is this important?

3.4.1 The Police and Crime Commissioner and Chief Constable will not tolerate fraud or corruption in the administration of its responsibilities, whether from inside or outside both organisations.

3.4.2 The expectation of propriety and accountability is that the PCC, Chief Constable and employees at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

3.4.3 The Police and Crime Commissioner and Chief Constable also expects that individuals and organisations (e.g. suppliers, contractors, and service providers) with whom it comes into contact will act with honesty and integrity.

Responsibilities of the PCC and Chief Constable

3.4.4 To approve and maintain a policy on registering of interests and the receipt of hospitality and gifts

3.4.5 To maintain an effective anti-fraud and anti-corruption strategy, including relevant provisions in the Bribery Act 2010.

3.4.6 To ensure that adequate and effective internal control arrangements are in place

3.4.7 To adopt and maintain a whistle blowing policy to provide a facility that enables employees, the general public and contractors to make allegations of fraud, misuse and corruption in confidence, and without recrimination, to an independent contact. Procedures shall ensure that allegations are investigated robustly as to their validity that they are not malicious and that appropriate action is taken to address any concerns identified. The Chief Constable shall ensure that all employees are aware of any approved whistle blowing policy.

3.4.8 To implement and maintain a clear internal financial control framework setting out the approved financial systems to be followed by the PCC, Chief Constable and all employees.

3.4.9 To investigate, as appropriate, all allegations of fraud and corruption.

Money laundering and Proceeds of Crime

3.4.10 The PCC and CC shall ensure the existence of anti-money laundering policy and procedures intended to prevent the use of proceeds of crime.

3.4.11 The PCC CFO shall perform the role of Money Laundering Reporting Officer (MLRO) whose principal role is to receive, consider and respond to any reports received of known or suspected money laundering.

3.4.12 The PCC and CC are responsible for ensuring that:

- All officers and staff most likely to be exposed to or suspicious of money laundering situations are made aware of the requirements and obligations placed on the PCC and Constabulary and themselves by the legislation.
- Those officers and staff considered most likely to encounter money laundering are given appropriate training.
- Procedures are established to help prevent money laundering including making arrangements for reporting concerns about money laundering to the MLRO.
- Periodic and regular assessments are undertaken of the risks of money laundering.

3.5 ASSETS - ACQUISITION, OWNERSHIP AND DISPOSAL

Why is this important?

3.5.1 The Police and Crime Commissioner and Chief Constable hold assets in the form of land, property, vehicles, equipment, furniture and other items, together worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, that there are arrangements for the security of both assets and information required for service operations and that proper arrangements exist for the disposal of assets. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.

3.5.2 It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the policies and regulations of the PCC and Chief Constable.

Context

3.5.3 The PCC will own all assets.

3.5.4 The Chief Constable is responsible for the direction and control of the Constabulary and therefore has day-to-day management of all assets used by the Constabulary.

3.5.5 The Chief Constable should formally consult the PCC in planning the draft budget and developing the medium term financial strategy. Both these processes should involve a full assessment of the assets required to meet operational requirements, including in terms of human resources, infrastructure, land, property and equipment.

3.5.6 The PCC has given consent to the Chief Constable to enter into short term hires of less than one month or use for covert operational purposes. Paragraph 3 of the Scheme of Consent applies

3.5.7 The PCC has given consent to the Chief Constable to acquire, operate and dispose of all non-estate assets (i.e. vehicles, plant and equipment) deemed not to meet the criteria of a key decision. Paragraph 3 of the Scheme of Consent applies.

3.5.8 Irrespective of value any proposal, to create or enter into a non-estate contract is to be agreed with the PCC before embarking on a procurement process. The award of all non-estate contracts deemed to meet the definition of a 'key decision' as set out in the scheme of governance/consent must be approved by the PCC.

Responsibilities of the Chief Constable

3.5.9 To ensure that the medium term financial plan is reliable and robust and, in particular, to ensure that:

- a) an estates asset management plan is produced and presented to the PCC for approval
- b) the property portfolio is managed in accordance with the agreed estates asset management plan and within budgetary provisions, in consultation with the Chief Executive and PCC CFO as appropriate
- c) lessees and other prospective occupiers of land owned by the Police and Crime Commissioner are not allowed to take possession or enter the land until a lease or agreement has been established as appropriate
- d) an overview of the Estate, Accommodation, ICT and Fleet replacement Strategies are produced and presented to the PCC for consideration and endorsement each year through the Joint Asset Management Board.

Responsibilities of the PCC

3.5.10 To approve an estates asset management plan, including disposals.

3.5.11 To ensure that the title deeds to land and property are signed and held securely

Joint responsibilities of the Chief Constable and PCC

3.5.12 To ensure that:

a) an asset register is maintained to provide information about fixed assets so that they are safeguarded, used efficiently and effectively, adequately maintained and valued in accordance with statutory and management requirements

b) assets and records of assets are properly maintained and securely held and that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place

c) all employees are aware of their responsibilities with regard to safeguarding assets and information, including the requirements of the Data Protection Act and software copyright legislation

d) assets no longer required are disposed of in accordance with the law

e) all employees are aware of their responsibilities with regard to safeguarding the security of ICT systems, including maintaining restricted access to the information held on them and compliance with the information and security policies.

Asset Disposal

Consent from the PCC

3.5.13 The PCC has given consent to the Chief Constable to dispose of all non-estate assets (e.g. vehicles, plant and equipment) in accordance with the Financial Strategy. Paragraph 3 of the Scheme of Consent applies.

Responsibilities of the Chief Constable

3.5.14 To arrange for the disposal of non-estate assets at the appropriate time and at the most advantageous price or appropriate method. Where this is not the highest offer, the Chief Constable shall consult with the PCC CFO.

Responsibilities of the PCC

3.5.15 To approve the disposal of surplus land and buildings.

Responsibilities of the CC CFO

3.5.16 To record all asset disposals in the asset register.

Responsibilities of the PCC CFO and CC CFO

3.5.17 To ensure all surplus land is disposed of in accordance with the procedural rules for the disposal of land.

3.5.18 To ensure that income received for the disposal of an asset is properly banked and accounted for.

3.5.19 To ensure that appropriate accounting entries are made to remove the value of disposed assets from records and to include the sale proceed if appropriate.

Interests in Land and Buildings

Consent from the PCC

3.5.20 The PCC has given consent to the Chief Constable to enter into short term hires of less than one month or use for covert operational purposes.

Responsibilities of the PCC

3.5.21 The PCC shall approve all contracts in connection with the acquisition and disposal of land and buildings with the exception of the functions consented to the Chief Constable in Paragraph 3 of the Scheme of Consent.

Responsibilities of the CC CFO

3.5.22 To enter into short term hires of less than one month or for the use of covert operational purposes, in consultation with the Head of Legal and the appropriate Assistant Chief Constable.

Valuation

Responsibilities of the CC CFO

3.5.23 To maintain an asset register for all fixed assets with a value in excess of the limits shown below, in a form approved by the PCC CFO. Assets are to be recorded when they are acquired. Assets shall remain on the asset register until disposal. Assets are to be valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* and the requirements specified by the PCC CFO

Land & Buildings £100,000

Vehicles £5,000

ICT hardware £15,000

Plant & Equipment £15,000

Stocks and Stores

Responsibilities of the CC CFO

3.5.24 To make arrangements for the care, custody and control of the stocks and stores of Lancashire Constabulary and to maintain detailed stores accounts.

3.5.25 To undertake a complete stock check at least once per year either by means of continuous or annual stocktake. The stocktake shall be undertaken and certified by an authorised member of staff who is independent of the stock keeping function. This procedure shall be followed and a complete stock check undertaken whenever stock keeping duties change.

3.5.26 To write-off any discrepancies between the actual level of stock and the book value of stock up to £10,000 in value. Any items over £10,000 require the approval of the PCC CFO.

3.5.27 To write-off obsolete stock up to the value of £10,000. Any write-offs over £10,000 require the approval of the PCC CFO

Intellectual Property

Why is this important?

3.5.28 Intellectual property is a generic term that includes inventions and writing e.g. computer software.

3.5.29 It is the policy of the Police and Crime Commissioner and Chief Constable that if any Intellectual Property is created by an employee during the course of employment then, as a general rule, this will belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property. Certain activities undertaken within the Office of the Police and Crime Commissioner or Lancashire Constabulary may give rise to items that could be patented, for example, software development. These items are collectively known as intellectual property.

3.5.30 In the event that Police and Crime Commissioner or the Chief Constable decide to become involved in the commercial exploitation of inventions, matters should only proceed after legal advice

Responsibilities of the Chief Constable

3.5.31 To prepare guidance on intellectual property procedures and ensuring that employees are aware of these procedures.

Responsibilities of the Chief Constable and PCC

3.5.32 To approve the intellectual property policy

3.6 TREASURY MANAGEMENT AND BANKING ARRANGEMENTS

Treasury Management

Why is this important?

3.6.1 Lancashire Constabulary is a large organisation that handles hundreds of millions of pounds in each financial year. It is important that the PCC's money is managed properly, in a way that balances risk with return, but with the prime consideration being given to the security of the capital sum.

3.6.2 The PCC and Chief Constable will create and maintain, as the cornerstones for effective treasury management:

- A Treasury Management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
- Suitable Treasury Management Practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

Responsibilities of the PCC

3.6.3 To adopt the key recommendations of CIPFA's latest Treasury Management in the Public Services: Code of Practice (the Code).

3.6.4 To approve the annual treasury management policy and annual investment strategy

3.6.5 To receive and approve quarterly treasury management performance monitoring reports

Responsibilities of the PCC CFO

3.6.6 To implement and monitor treasury management policies and practices in line with the CIPFA Code and other professional guidance

3.6.7 To prepare reports on the PCC's treasury management policies, practices and activities, including, as a minimum, an annual strategy, half-year performance report and an annual report.

3.6.8 To execute and administer treasury management in accordance with the latest CIPFA Code and the PCC's policy.

3.6.9 To arrange borrowing and investments, in compliance with the current CIPFA Code

3.6.10 To ensure that all investments and borrowings are made in the name of PCC.

Banking Arrangements

Why is this important?

3.6.11 Our banking activities are controlled by a single contract which aims to provide a wide range of complex and specialist banking services to the PCC and Lancashire Constabulary departments, establishments and staff. A consistent and secure approach to banking services is essential in order to achieve optimum performance from our bankers and the best possible value for money. To minimise administration and costs the PCC and Chief Constable will share bank accounts.

Responsibilities of the PCC CFO

3.6.12 To have overall responsibility for the banking arrangements for the PCC and Chief Constable.

3.6.13 To authorise the opening and closing of all PCC and Lancashire Constabulary bank accounts. With the exception of 3.6.16 below no other employee shall open a bank account unless they are performing a statutory function (e.g.treasurer of a charitable body) in their own right

3.6.14 To undertake bank reconciliations on a timely and accurate basis.

3.6.15 To determine signatories on all PCC and Lancashire Constabulary bank accounts

3.6.16 To authorise the opening and closing of the digital apprenticeship levy accounts

Responsibilities of the CC CFO

3.6.17 To authorise the opening and closing of Lancashire Constabulary bank accounts, for specific purposes, as agreed with the PCC CFO.

3.6.18 To undertake bank reconciliations on a timely and accurate basis for these specific bank accounts.

3.6.19 To determine signatories on these specific Lancashire Constabulary bank accounts

Imprest Accounts / Petty Cash

Why is this important?

3.6.20 Cash advances may be made to an individual in a department / establishment in order that relatively small incidental payments may be made quickly. A record of disbursements from the account should be maintained to control the account and so that the expenditure may be substantiated, accurately reflected in the PCC and Chief Constable accounts and correctly reimbursed to the account holder.

Responsibilities of the Chief Constable

3.6.21 To provide appropriate employees of Lancashire Constabulary with cash, bank imprests or pre-paid cash cards to meet minor expenditure on behalf of Lancashire Constabulary. The Chief Constable shall determine reasonable petty cash limits and maintain a record of all transactions and petty cash advances made, and periodically review the arrangements for the safe custody and control of these advances.

3.6.22 To prepare detailed Financial Instructions for dealing with petty cash, to be agreed with the PCC CFO, and these shall be issued to all appropriate employees.

3.7 STAFFING

Why is this important?

3.7.1 Staffing costs form the largest element of the annual policing budget. An appropriate People strategy should exist, in which staffing requirements and budget allocations are matched. The Chief Constable is responsible for approving the overall People strategy.

Responsibilities of the Chief Constable

3.7.2 To ensure that employees are appointed, employed and dismissed in accordance with relevant statutory regulations, national agreements and personnel policies, budgets and strategies.

3.7.3 To advise the PCC on the budget necessary in any given year to cover estimated staffing levels

3.7.4 To adjust the staffing numbers to meet the approved budget provision, and varying the provision as necessary within policy constraints in order to meet changing operational needs

3.7.5 To have systems in place to record all matters affecting payments to staff, including appointments, resignations, dismissals, secondments, suspensions, transfers and all absences from work.

3.7.6 To approve policy arrangements for premature retirements on grounds of ill-health or efficiency for all staff and redundancy arrangements for support staff.

Responsibilities of the Chief Executive

3.7.7 To have the same responsibilities as above for staff employed directly by the PCC.

3.8 TRUST FUNDS

Why is this important?

3.8.1 Trust Funds have a formal legal status governed by a Deed of Trust. Employees and police officers acting as trustees must ensure that they are conversant with the requirements of the Trust Deed and the law and comply fully with them.

3.8.2 The financial procedures and financial regulations should be viewed as best practice, which ought to be followed whenever practicable.

3.8.3 No employee shall open a trust fund without the specific approval of the Chief Constable or the PCC.

Responsibilities of Trustees

3.8.4 All employees acting as trustees by virtue of their official position shall ensure that accounts are audited as required by law and submitted annually to the appropriate body, and the PCC CFO and/or CC CFO shall be entitled to verify that this has been done.

3.9 ADMINISTRATION OF EVIDENTIAL & NON-EVIDENTIAL PROPERTY

Why is this important?

3.9.1 The Chief Constable is required to exercise a duty of care and safeguard evidential or non-evidential property pending decisions on its ownership, or private property of an individual e.g. a suspect in custody.

Responsibilities of the Chief Constable

3.9.2 To determine procedures for the safekeeping of the private property of a person, other than a member of staff, under his guardianship or supervision. These procedures shall be made available to all appropriate employees. For more detailed information please refer to the Evidential and Non- Evidential Standard Operating Procedure (SOP).

3.9.3 To determine procedures for the safekeeping of evidential or non-evidential property. These procedures shall be made available to all appropriate employees and shall make specific reference to the need for insurance of valuable items.

3.9.4 To issue separate Financial Instructions for dealing with cash, including seized cash under the Proceeds of Crime Act

Responsibilities of all employees

3.9.5 To notify the Chief Constable immediately in the case of loss or diminution in value of such private property.

3.10 Police Property Act Fund

Why is this important?

3.10.1 The Police Property Act Fund consists of:

(a) the proceeds of sale of property to which the Police (Property) Regulations 1997 apply (usually seized property where the owner has not been ascertained); and

(b) money to which those Regulations apply

3.10.2 The Fund may be used to:

(a) Defray expenses connected with the custody and sale of the property

(b) Pay reasonable compensation to persons by whom property has been delivered to the police

(c) Make payments for charitable purposes

3.10.3 The Regulations also make provision for property to vest in the PCC (where it can be used for police purposes) or to be destroyed or disposed of (where the nature of the property is such that it is not in the public interest for it to be sold or retained)

Responsibilities of PCC and Chief Constable

3.10.4 The PCC and Chief Constable shall jointly determine the payments to be made in accordance with the Regulations, and the recipients thereof.

3.10.5 The PCC shall determine, on a recommendation made by or on behalf of the Chief Constable, whether any property to which the Regulations apply can be used for police purposes and, if so, whether such property shall be retained by and vest in the PCC.

3.10.6 The Chief Constable shall determine whether the nature of any property to which the Regulations apply is such that it is not in the public interest that it should be sold or retained and give directions as to the destruction or disposal of such property.

3.11 GIFTS, LOANS AND SPONSORSHIP

3.11.1 This does not include the receipt of hospitality and gifts – please see Section 3.4

Why is this important?

3.11.2 In accordance with the Police Act 1996, the PCC may decide to accept gifts of money and gifts or loans of other property or services (e.g. car parking spaces) if they will enable the police either to enhance or extend the service which they would normally be expected to provide. The terms on which gifts or loans are accepted may allow commercial sponsorship of some police Constabulary activities.

Context

3.11.3 Gifts, loans and sponsorship are particularly suitable for multi-agency work such as crime prevention, community relations work, and victim support schemes.

3.11.4 Gifts, loans and sponsorship can be accepted from any source which has genuine and well intentioned reasons for wishing to support specific projects. In return, the provider may expect some publicity or other acknowledgement. It is acceptable to allow the provider to display the organisation's name or logo on publicity material, provided this does not dominate or detract from the purpose of the supported project.

Responsibilities of the PCC

3.11.5 To approve the policy on gifts, loans and sponsorship.

Responsibilities of the Chief Constable

3.11.6 To accept gifts, loans or sponsorship below £50,000 within agreed policy guidelines.

3.11.7 To refer all gifts, loans and sponsorship above £50,000 to the PCC for approval before they are accepted.

Responsibilities of the CC CFO

3.11.8 To maintain a record of all sponsorship initiatives and agreements including their true market value, and to provide an annual certified statement of all such initiatives and agreements. The register will be made available to the PCC CFO, who shall satisfy himself that it provides a suitable account of the extent to which such additional resources have been received.

3.11.9 To bank cash from sponsorship activity in accordance with normal income procedures.

SECTION 4 - SYSTEMS & PROCESSES

4.1 INTRODUCTION

Why is this important?

4.1.1 There are many systems and procedures relating to the control of the PCC's and Chief Constable's assets, including purchasing, costing and management systems. They are reliant on computers for financial management information. This information must be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.

4.1.2 The PCC CFO and CC CFO both have a statutory responsibility to ensure that the financial systems are sound and should therefore be notified of any proposed new developments or changes.

Responsibilities of the PCC CFO and CC CFO

4.1.3 To make arrangements for the proper administration of the PCC's and Chief Constable's financial affairs, including to:

- issue advice, guidance and procedures for officers and others acting on behalf of the PCC and Chief Constable
- determine the accounting systems, form of accounts and supporting financial records

- establish arrangements for the audit of the PCC's and Chief Constable's financial affairs
- approve any new financial systems to be introduced
- approve any changes to existing financial systems.

4.1.4 To ensure, in respect of systems and processes, that

- systems are secure, adequate internal control exist and accounting records (e.g. invoices, income documentation) are properly maintained and held securely. This is to include an appropriate segregation of duties to minimise the risk of error, fraud or other malpractice.
- appropriate controls exist to ensure that all systems input, processing and output is genuine, complete, accurate, timely and not processed previously a complete audit trail is maintained, allowing financial transactions to be traced from the accounting records to the original document and vice versa
- systems are documented and staff trained in operations

4.1.5 To ensure that there is a documented and tested business continuity plan to allow key system processing to resume quickly in the event of an interruption. Effective contingency arrangements, including back up procedures, are to be in place in the event of a failure in computer systems

4.1.6 To establish and maintain Financial Instructions identifying staff authorised to act on their behalf in respect of income collection, placing orders, making payments and employing staff.

4.2 INCOME – FEES AND CHARGES

Why is this important?

4.2.1 Income is vital to the PCC and Chief Constable and effective systems are necessary to ensure that all income due is identified, collected, receipted and banked promptly.

Context

4.2.2 The PCC and Chief Constable should adopt the NPCC national charging policies and national guidance when applying charges for services and goods, including special services (section 25 Police Act), Mutual Aid (section 26 Police Act) and Goods & Services (section 18 Local Government Act). They should keep in mind that the purpose of charging is to ensure that, wherever appropriate, those using the services pay for them.

4.2.3 When specifying resource requirements the Chief Constable will identify and recommend the expected income from fees and charges for approval by the PCC. The Chief Constable should adopt NPCC charging policies in respect of mutual aid.

4.2.4 The PCC and Chief Constable should ensure that there are arrangements in place to ensure that expected charges are clearly identified in their budgets and that costs are accurately attributed and charged. When considering budget levels the

PCC and Chief Constable should ensure that ongoing resource requirements are not dependant on a significant number of uncertain or volatile income sources and should have due regard to sustainable and future year service delivery.

Responsibilities of the Chief Constable and PCC

4.2.5 To adopt the NPCC national charging policies and national guidance

Responsibilities of the CC CFO and PCC CFO

4.2.6 To make arrangements for the collection of all income and approve the procedures, systems and documentation for its collection, including the correct charging of VAT

4.2.7 To agree a charging policy for the supply of goods and services, including the appropriate charging of VAT, and to review it regularly in line with corporate policies. All charges should be at full cost recovery except where regulations require otherwise or with the express approval of the PCC.

4.2.8 To ensure that all income is paid fully and promptly into Lancashire Constabulary's Bank Account. Appropriate details should be recorded on to paying-in slips to provide an audit trail.

4.2.9 To ensure income is not used to cash personal cheques or make other payments.

4.2.10 To order and supply to appropriate employees all receipt forms, books or tickets and similar items and be satisfied as to the arrangements for their control. Official receipts or other suitable documentation shall be issued for all income received.

4.2.11 To operate effective debt management procedures.

4.2.12 To approve the write-off of individual bad debts up to the level shown below. Amounts for write-off above this value must be referred to the PCC for approval, supported by a written report explaining the reason(s) for the write-off.

Up to £30,000 CC CFO

Over £30,000 PCC

Responsibilities of the CC CFO

4.2.13 To prepare detailed Financial Instructions for dealing with income, to be agreed with the PCC CFO, and to issue them to all appropriate employees.

4.3 ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

Why is this required?

4.3.1 The PCC and Chief Constable have a statutory duty to ensure financial probity and best value. The PCC and Chief Constable's joint financial regulations help to ensure that the public can receive value for money. These procedures should be read in conjunction with the Standing Orders relating to contracts.

Responsibilities of the CC CFO

4.3.2 To maintain a procurement strategy covering the principles to be followed for the purchase of goods and services.

4.3.3 To issue official orders for all work, goods or services to be supplied to the PCC and/or Chief Constable.

4.3.4 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of PCC contracts.

4.3.5 Goods and services ordered must be appropriate and there must be adequate budgetary provision. Quotations or tenders must be obtained where necessary, in accordance with these regulations and Standing Orders in relation to Contracts.

4.3.6 Payments are not to be made unless goods and services have been received by the PCC or Chief Constable at the correct price, quantity and quality in accordance with any official order.

4.3.7 To ensure that payments are made to the correct person, for the correct amount, on time and are recorded properly, regardless of the method of payment.

4.3.8 To ensure that VAT is recovered where appropriate

4.3.9 To ensure that all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected

4.3.10 To ensure that all purchases made through e-procurement follow the rules, regulations and procedures, as set out in the Standing Orders relating to Contracts.

4.3.11 To prepare, in consultation with the PCC CFO, detailed Financial Instructions for dealing with the ordering and payment of goods and services, and to issue these to all appropriate employees.

Responsibilities of the Chief Officers

4.3.12 To ensure that every employee is made aware of the need to declare any links or personal interests that they may have with purchasers, suppliers and contractors if they are engaged in contractual or purchasing decisions on behalf of the PCC or Chief Constable and that such persons take no part in the selection of a supplier or contract with which they are connected.

4.4 PAYMENTS TO EMPLOYEES

Why is this required?

4.4.1 Employee costs are the largest item of expenditure for most police forces. It is therefore important that there are controls in place to ensure accurate, timely and valid payments are made in accordance with individuals' conditions of employment.

Responsibilities of the CC CFO

4.4.2 To ensure the secure and reliable payment of salaries, overtime, pensions, compensation and other emoluments to existing and former employees.

4.4.3 To ensure that tax, superannuation and other deductions are made correctly and paid over at the right time to the relevant body.

4.4.4 To pay all valid travel and subsistence claims or financial loss allowance.

4.4.5 To pay salaries, wages, pensions and reimbursements by the most economical means.

4.4.6 To ensure that payroll transactions are processed only through the payroll system. Payments to individuals employed on a self-employed consultant or subcontract basis shall only be made in accordance with HM Revenue & Customs (HMRC) requirements. The HMRC applies a tight definition of employee status, and in cases of doubt, advice should be sought from them.

4.4.7 To ensure that full records are maintained of payments in kind and properly accounted for in any returns to the HMRC.

4.4.8 To approve the write-off of pension and payroll overpayments up to the level shown below. Amounts for write-off above this value must be referred to the PCC for approval, supported by a written report explaining the reason(s) for the write-off.

Up to £10,000 CC CFO

4.5 TAXATION

Why is this important?

4.5.1 Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe.

Responsibilities of the PCC CFO and CC CFO

4.5.2 To ensure the timely completion and submission of VAT claims, inputs and outputs to HMRC

4.5.3 To ensure the timely completion and submission of all HM Revenue & Customs (HMRC) returns regarding PAYE and that due payments are made in accordance with statutory requirements

4.5.4 To ensure that the correct VAT liability is attached to all income due and that all VAT receivable on purchases complies with HMRC regulations

4.5.5 To provide details to the HMRC regarding the construction industry tax deduction scheme.

4.5.6 To ensure that appropriate technical staff have access to up to date guidance notes and professional advice.

4.6 CORPORATE CREDIT CARDS AND PURCHASING CARDS

Why is this important?

4.6.1 Credit cards provide an effective method for payment for designated officers who, in the course of their official business, have an immediate requirement for expenditure which is relevant to the discharge of their duties.

4.6.2 Purchase cards are an alternative method of buying and paying for relatively low value goods, which generate a high volume of invoices. This should generate an efficiency saving from lower transaction costs (i.e. fewer invoices processed and paid for through the integrated accounts payable system), as well as reducing the number of petty cash transactions

4.6.3 Commercial, credit and purchasing cards ['cards'] are only issued in by the PCC or Chief Constable where a clear business need is identified.

Responsibilities of the PCC CFO and CC CFO

4.6.4 to provide Financial Instructions to all cardholders.

4.6.5 To authorise and maintain control over the issue of cards.

4.6.6 To reconcile the 'card' account to the ledger on a monthly basis.

Responsibilities of credit card holders

4.6.7 To ensure that purchases are in accordance with approved policies e.g. catering, hospitality

4.6.8 To provide receipted details of all payments made by 'card' each month to ensure that all expenditure is correctly reflected in the accounts and that VAT is recovered.

4.6.9 Card holders are responsible for ordering and paying for goods and services in accordance with the Constabulary procurement policy, Standing Orders relating to Contracts and all procedures laid down by the CC CFO.

4.7 EX GRATIA PAYMENTS

Why is this important?

4.7.1 An ex gratia payment is a payment made by the PCC or Chief Constable where no legal obligation has been established. An example may be recompense to a police officer for damage to personal property in the execution of duty or to a member of the public for providing assistance to a police officer in the execution of duty.

Responsibilities of the Chief Constable and PCC

4.7.2 To make ex gratia payments to members of the public up to the level shown below in any individual instance, for damage or loss to property or for personal injury or costs incurred as a result of police action where such a payment is likely to facilitate or is conducive or incidental to the discharge of any of the functions of the PCC and Chief Constable.

*Up to £30,000 CC CFO or Chief Executive
Over £30,000 PCC*

4.7.3 To maintain details of ex gratia payments in a register:

4.7.4 To make ex gratia payments up to the level shown below in any individual instance, for damage or loss of property or for personal injury to a police officer, police staff or any member of the extended police family, in the execution of duty.

*Up to £30,000 CC CFO or Chief Executive
Over £30,000 PCC*

Section 5 - External arrangements

5.1 JOINT WORKING ARRANGEMENTS

Why is this important?

5.1.1. Public bodies are increasingly encouraged to provide seamless service delivery through working closely with other public bodies, local authorities, agencies and private service providers.

5.1.2 Joint working arrangements can take a number of different forms, each with its own governance arrangements. In Lancashire Constabulary these are grouped under the following headings:

- Partnerships
- Consortia
- Collaboration

5.1.3 Partners engaged in joint working arrangements have common responsibilities:

- to act in good faith at all times and in the best interests of the partnership's aims and objectives
- to be willing to take on a role in the broader programme, appropriate to the skills and resources
- of the contributing organisation
- to be open about any conflicts that might arise
- to encourage joint working and promote the sharing of information, resources and skills
- to keep secure any information received as a result of partnership activities or duties that is of
- a confidential or commercially sensitive nature
- to promote the project

5.1.4 In all joint working arrangements the following key principles must apply:

- before entering into the agreement, a risk assessment has been prepared
- such agreements do not impact adversely upon the services provided by Lancashire Constabulary
- project appraisal is in place to assess the viability of the project in terms of resources, staffing and expertise
- all arrangements are properly documented
- regular communication is held with other partners throughout the project in order to achieve the most successful outcome
- audit and control requirements are satisfied
- accounting and taxation requirements, particularly VAT, are understood fully and complied with an appropriate exit strategy has been produced

5.1.5 The Lancashire Constabulary element of all joint working arrangements must comply with these Financial Regulations

Partnerships

5.1.6 The term partnership refers to groups where members work together as equal partners with a shared vision for a geographic or themed policy area, and agree a strategy in which each partner contributes towards its delivery. A useful working definition of such a partnership is where the partners:

- are otherwise independent bodies;
- agree to co-operate to achieve a common goal; and
- achieve it to create an organisational structure or process and agreed programme, and share information, risks and rewards

5.1.7 The number of partnerships, both locally and nationally, is expanding in response to central government requirements and local initiatives. This is in recognition of the fact that partnership working has the potential to:

- deliver strategic objectives;
- improve service quality and cost effectiveness;
- ensure the best use of scarce resources; and

- deal with issues which cut across agency and geographic boundaries, and where mainstream
- programmes alone cannot address the need.

5.1.8 Partnerships typically fall into three main categories i.e. statutory based, strategic, and ad-hoc.

Statutory based

5.1.9 These are partnerships that are governed by statute. They include, for example, Crime and Disorder Reduction Partnerships (CDRPs) and Local Strategic Partnerships (LSPs)

Strategic

5.1.10 These are partnerships set up to deliver core policing objectives. They can either be force-wide or local.

Ad-hoc

5.1.11 These are typically locally based informal arrangements agreed by the local police team.

Context

5.1.12 As set out in section 10 of the Police Reform and Social Responsibility Act 2011, the PCC, in exercising his functions, must have regard to the relevant priorities of each responsible authority. Subject to the constraints that may be placed on individual funding streams, PCCs are free to pool funding as they and their local partners see fit. PCCs can enter into any local contract for services, individually or collectively with other local partners, including non-police bodies.

5.1.13 When the PCC acts as a commissioner of services, he will need to agree the shared priorities and outcomes expected to be delivered through the contract or grant agreement with each provider. The PCC is able to make crime and disorder grants in support of local priorities. The inclusion of detailed grant conditions directing local authorities how to spend funding need not be the default option. The power to make crime and disorder grants with conditions is contained in section 9 of the Police Reform and Social Responsibility Act 2011. The power to contract for services is set out in paragraph 14 of Schedule 1 and paragraph 7 of Schedule 3 to the Police Reform and Social Responsibility Act 2011.

Responsibilities of the PCC

5.1.14 To have regard to relevant priorities of local partners when considering, reviewing and updating the Police and Crime Plan.

5.1.15 To make appropriate arrangements to commission services from either the Constabulary or external providers

Responsibilities of Chief Officers

5.1.17 To consult, as early as possible, the CC CFO and the PCC CFO to ensure the correct treatment of taxation and other accounting arrangements

Consortia Arrangements

5.1.18 A consortium is a long-term joint working arrangement with other bodies, operating with a formal legal structure approved by the PCC.

Responsibilities of the PCC

5.1.19 To approve Lancashire Constabulary participation in the consortium arrangement.

Responsibilities of Chief Officers

5.1.20 To consult as early as possible with the Chief Executive and the Constabulary's Head of Legal Services before entering into a formal consortium agreement, to establish the correct legal framework.

5.1.21 To consult, as early as possible, the CC CFO and the PCC CFO to ensure the correct treatment of taxation and other accounting arrangements

5.1.22 To produce a business case to show the full economic benefits to be obtained from participation in the consortium.

5.1.23 To produce documents setting out the appropriate governance arrangements for the project. This document should be signed by the Chief Executive and the Constabulary's Head of Legal Services.

Collaboration

5.1.24 Under sections 22A to 22C of the Police Act 1996, as amended by section 89 of the Police Reform and Social Responsibility Act 2011, chief constables and PCCs have a duty to keep collaboration agreements and opportunities under review and to collaborate where it is in the interests of the efficiency and effectiveness of one or more police forces or policing bodies. Where collaboration is judged to be the best option, they must collaborate even if they do not expect their own force or policing body to benefit directly. Any collaboration which relates to the functions of a police force (a "force collaboration provision") must first be agreed with the chief constables of the forces concerned and approved by each PCC responsible for maintaining each of the police forces to which the force collaboration provision relates. Any collaboration which relates to the provision of support by one PCC for another PCC (a "policing body collaboration provision") must be agreed by each PCC to which the policing body collaboration provision relates.

5.1.25 PCCs responsible for maintaining each of the police forces to which a force collaboration provision relates shall make arrangements for jointly holding their chief

constables to account for the way functions are discharged under a force collaboration agreement.

5.1.26 To consult as early as possible with the Chief Executive and the Constabulary's Head of Legal Services before entering into a formal consortium agreement, to establish the correct legal framework.

5.1.27 To consult, as early as possible, the Chief Executive of Finance and the PCC CFO to ensure the correct treatment of taxation and other accounting arrangements

5.2 EXTERNAL FUNDING

Why is this important?

5.2.1 External funding can be a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of Lancashire Constabulary.

5.2.2 The main source of such funding for Lancashire Constabulary will tend to be specific government grants, additional contributions from local authorities (e.g. for ANPR, CCTV and PCSOs) and donations from third parties (e.g. towards capital expenditure)

Responsibilities of Chief Officers

5.2.3 To pursue actively any opportunities for additional funding where this is considered to be in the interests of Lancashire Constabulary.

Responsibilities of the Chief Constable and the PCC

5.2.4 To ensure that the match-funding requirements and exit strategies are considered prior to entering into the agreements and that future medium term financial forecasts reflect these requirements.

Responsibilities of the PCC CFO and CC CFO

5.2.5 To ensure that all funding notified by external bodies is received and properly accounted for, and that all claims for funds are made by the due date and that any audit requirements specified in the funding agreement are met.

Responsibilities of the Chief Constable

5.2.6 To ensure that funds are acquired only to meet policing needs and objectives

5.2.7 To ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood

5.2.8 To ensure that any conditions placed on Lancashire Constabulary in relation to external funding are in accordance with the approved policies of the PCC. If there is a conflict, this needs to be taken to the PCC for resolution.

6 SUMMARY OF FINANCIAL LIMITS

		Limits	Responsibility	paragraph
Virements		Up to £250,000	CC's CFO	2.7.6
		£250,000 - £500,000	CC's CFO & PCC's CFO PCC's CFO & Chief Executive	
		Above £500,000	PCC	
Land & Buildings	Enter into short term hires of less than one month or Use for covert operational purposes		Chief Constable	3.5.20 and 3.5.22
	All others		PCC	3.5.21
Asset Acquisition	Vehicles	In accordance with the agreed capital programme and budgets	Chief Constable	3.5.7
	ICT	In accordance with the agreed capital programme and budgets	Chief Constable Chief Executive	3.5.7
	Plant & Equipment	In accordance with the agreed capital programme and budgets	Chief Constable Chief Executive	3.5.7
Asset Register	Land & Buildings	£100,000	CC's CFO	3.5.22
	Vehicles	£5,000	CC's CFO	3.5.22
	ICT	£15,000	CC's CFO PCC's CFO	3.5.22
	Plant & Equipment	£15,000	CC's CFO PCC's CFO	3.5.22
Asset Disposal	Vehicles	At the most advantageous price in accordance with the agreed disposal policy	Chief Constable	3.5.13
	ICT	At the most advantageous price in accordance with the agreed disposal policy	Chief Constable	3.5.13

	Plant & Equipment	At the most advantageous price in accordance with the agreed disposal policy	Chief Constable	3.5.13
Public Works, Services and Supplies		All Contracts meeting the criteria of a key decision	PCC	3.5.8
		All other contracts	Chief Executive Chief Constable	3.5.7
Public Gifts, Loans & Hospitality		Up to £50,000	CC	3.11.6
		Above £50,000	PCC	3.11.7
Write-off bad debt		Up to £30,000 in accordance with the agreed Bad Debt Policy	CC's CFO PCC's CFO	4.2.12
		Above £30,000 in accordance with the Bad Debt Policy	PCC	4.2.12
Write-Off pension and payroll overpayments		Up to £10,000	CC's CFO	4.4.8
		Above £10,000	PCC	4.4.8
Write-off of stocks and stores		Up to £10,000	CC CFO	3.5.26 & 3.5.27
		Above £10,000	PCC CFO	3.5.26 & 3.5.27
Compensation Claims	General accident	Below £30,000	Chief Constable	3.3 of the scheme of consent
		Above £30,000	PCC/PCC's Chief Executive	
Employee Related Compensation Payments		Below £30,000	Chief Constable	3.3 of the scheme of consent
		Above £30,000	PCC/PCC's Chief Executive	
Ex-gratia		Up to £30,000	CC's CFO or PCC's Chief Executive	4.7.4
		Above £30,000	PCC	4.7.4
Fees and Charges			PCC	4.2