



**To:** Joint Audit Committee

**From:** Chief Finance Officer

**Date:** 23 June 2014

## FINANCIAL REGULATIONS UPDATE

### 1. Purpose

1.1 For the Joint Audit Committee to note the progress in the development of common financial regulations for Bedfordshire, Cambridgeshire and Hertfordshire.

### 2 Recommendation:

2.1 The Joint Audit Committee to:

- Note the content of the report.

### 3 Introduction

3.1 The Scheme of Governance and the Financial Regulations were updated on 1<sup>st</sup> April 2014, due to the stage 2 transfers coming into effect at this date. At this point the opportunity was taken to adopt a common scheme of governance, in conjunction with Bedfordshire and Hertfordshire. This was endorsed by the Police and Crime Commissioners at the Bedfordshire, Cambridgeshire and Hertfordshire Strategic Alliance meeting held on 1<sup>st</sup> April 2014.

3.2 Moving forward the Chief Finance Officers (of Bedfordshire, Cambridgeshire and Hertfordshire) expressed a desire to develop common financial regulations, with a review date of 30<sup>th</sup> June 2014.

3.3 The Financial regulations provide a framework for both the Police and Crime Commissioner (PCC) and the Chief Constable (CC) to manage their financial affairs and the approach to financial management, planning and control.

#### **4 Financial Regulations**

4.1 The current Financial Regulations for the 6 corporations soles (the Police and Crime Commissioner and Chief Constable of Bedfordshire, Cambridgeshire and Hertfordshire respectively) were updated and implemented on 1<sup>st</sup> April 2014. These are unique and solely relate to each individual organisation.

4.2 The intention moving forward is to as far as possible combine the Financial Regulations to enable the organisations to adopt and work to a common set of principles.

4.3 The following has been undertaken to date:

- The 3 individual sets (Bedfordshire, Cambridgeshire and Hertfordshire) of the financial regulations have been compared to identify the differences and similarities.
- All delegation levels within the financial regulations have been compared to establish the differences and to recommend appropriate levels.
- The Chief Finance Officers have agreed to use the Cambridgeshire Financial Regulations as the starting document for combining the regulations.
- Consideration given to including an operating model as an addendum to the Financial Regulations. This details the governance structures for the individual organisations, but can also be an opportunity to include the governance structure of the Bedfordshire, Cambridgeshire and Hertfordshire Collaboration.
- Commenced combining the financial regulations (para 4.4 lists the areas which are currently still in the process of being combined)
- Recommended delegation levels for most areas have been suggested, which will be the same across all corporations sole.
- Establishment of 2 sets of delegations one to encompass local arrangements and the other to cover collaborative arrangements.
- Agreement obtained from the Police and Crime Commissioners and Chief Constables, any contracts above £500,000 will be approved by the Police and Crime Commissioner.

4.4 As a result of the actions undertaken in para 4.3 the following main changes to the current Cambridgeshire Financial regulations are being considered:

- Within the role of Statutory and key officers included a section on Chief Executive and Monitoring Officer outlining the Monitoring Officer responsibilities.

- Extended the PCC Chief Finance Officer (PCC CFO) and the CC Chief Finance Officer (CC CFO) to include “Maintaining Proper Accounting Records” and “Preparing and Publishing Accounts” for the respective Corporation Soles. Also any material fundamental changes to accounting records and procedures will need approval of the PCC CFO.
- Within the Annual Revenue Budget preparation included the obligation of the PCC to consult in the planning of the annual budget.
- Revenue Budget Monitoring included separate responsibilities for the PCC to approve increases to the overall approved budget and CC monitor income, expenditure and performance and take action to prevent exceeding the budget.
- Approval by the commissioner, if it is likely that a capital programme will overspend by a set amount/percentage.
- With regards to assets outline the responsibilities of the Chief Constable, Chief Executive, PCC CFO and CC CFO, in respect of acquisition and disposal as well procedure for approving write offs. Consideration is given whether the Chief Constable acquires and disposes land and property up to a certain level.
- Treasury Management – Greater clarity provided on the proposing and administering of the Treasury Management Strategy Statement by the PCC CFO.
- Gifts, Loans and Sponsorship – Included the responsibility of the Chief Constable and the Chief Executive to develop and maintain an appropriate strategy.
- Systems and procedures – Includes responsibility of the Chief Constable establish and effectively operate a scheme of delegation.
- Partnerships – The chief constable and the respective CFOs will have responsibility for forming partnerships and ensuring appropriate accounting arrangements are in place.
- Within Joint working arrangements, included a section on regional working.
- Delegation:
  - Defines the financial level at which a project is classified as a “Major Revenue Project” and when they need to be referred to the commissioner.
  - Includes sub section on property leases and acquisition and disposal of land and property.

4.5 The following sections are currently being reviewed, which will result in the consideration of further changes to the financial regulations:

- Contract Standing Orders – The procurement team have been reviewing the policy and procedures for procurement, which potentially can closely align to this section. The intention is to review how these can be interwoven into this section. This will result in potentially different levels of procurement, from that within the financial regulations.

- Audit committees – Consideration of how the 3 audit committees across Bedfordshire, Cambridgeshire and Hertfordshire are presented within the financial regulations.
- Legal settlement limits – Consideration of how this is presented for the Corporations Sole.
- Operating Model – As referred to in para 4.3, how a model can be included as an addendum reflecting both local and collaborative governance arrangements.

## **5 Next Steps**

5.1 The next steps in the process of developing common financial regulations include:

- Progress with the sections referred to in para 4.5.
- Updating the respective Audit Committees. It has been agreed with the CFO's of Bedfordshire and Hertfordshire that the respective audit committees will be provided with an update in June which will be a consistent update across the committees and the common financial regulations will be presented for approval to the respective audit committees in September 2014. It should be noted that there is likely to be differences between Bedfordshire, Cambridgeshire and Hertfordshire when developing and presenting the common regulations in September.
- Ensure the PCC and Chief Constable are briefed and update on changes to the financial regulations and seek their respective views.
- Present the Common financial regulations to the Joint Audit Committee in September 2014.

## **6 Recommendation:**

6.1 The Joint Audit Committee to:

- Note the content of the report.