



COMPLIANCE with CIPFA FINANCIAL MANAGEMENT CODE  
CAMBRIDGESHIRE CONSTABULARY AND  
CAMBRIDGESHIRE AND PETERBOROUGH OPCC

April 2021

## Introduction

CIPFA have introduced the Financial Management (FM) Code which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:

- Financially manage the short, medium and long term finances of a local authority;
- Manage financial resilience to meet unforeseen demands on services;
- Manage unexpected shocks in their financial circumstances.

Each local authority must demonstrate that the requirements of the Code are being satisfied.

Local authorities were required to apply the requirements of the Code with effect 1 April 2020 using 2020/21 as a 'shadow year' and that the first full year of compliance will be 2021/22.

A self-assessment of the Constabulary and OPCC's standing against each of the standards was carried out using a RAG rating approach. The findings of the self-assessment can be summarised below:

RAG Rating	Progress	Number of Financial Management Standards
GREEN	Compliance is demonstrated.	13
AMBER	Minor to moderate improvements are required to demonstrate compliance	4
RED	Moderate to significant improvements are required to demonstrate compliance	0
<b>TOTAL</b>		<b>17</b>

The results of the self-assessment indicate an overall rating of green with 76.5% of standards being complied with in full.

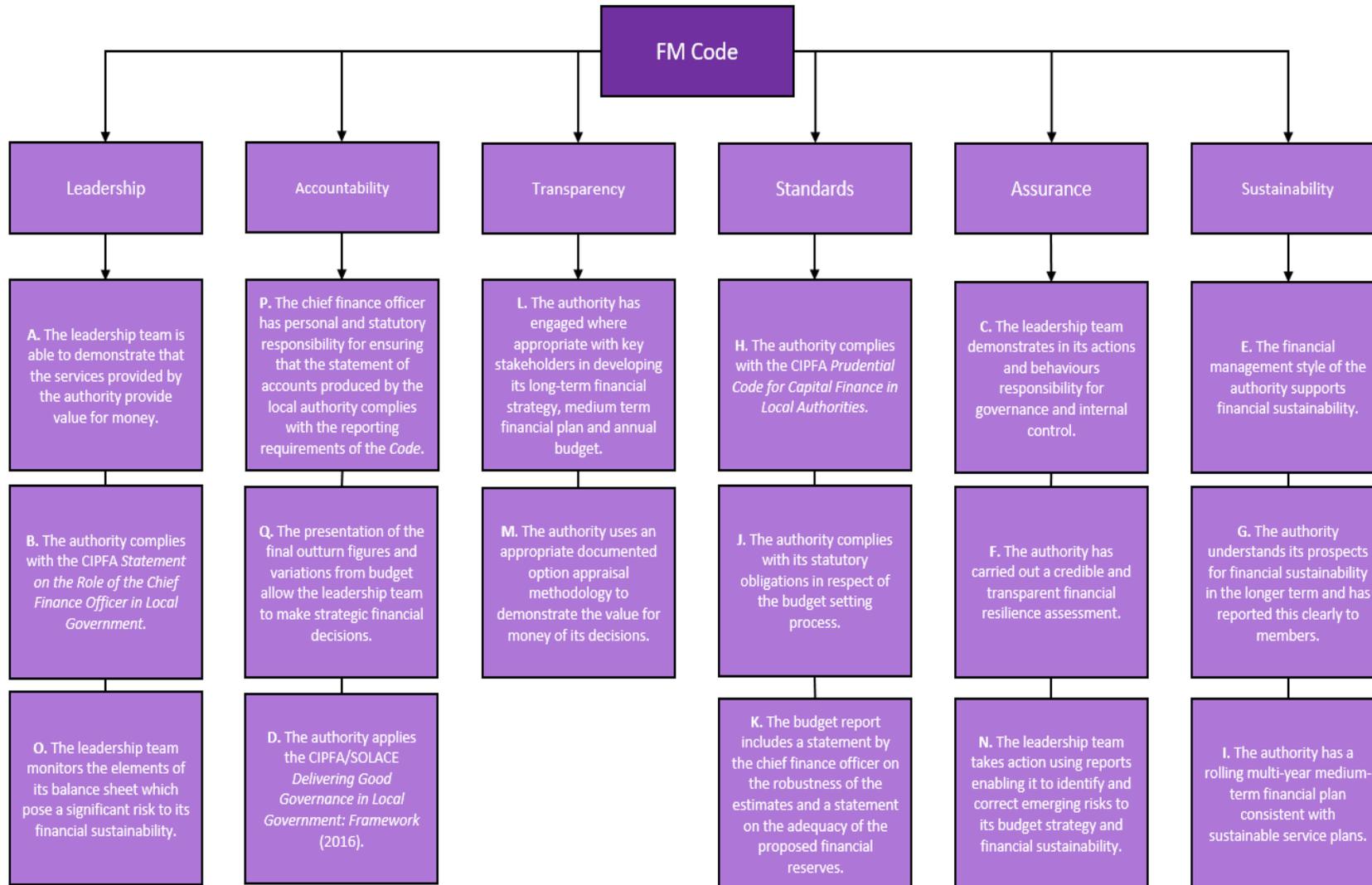
Of the remaining four standards (23.5%), which are rated amber work is underway to be able to demonstrate full compliance in subsequent years. The areas of work to achieve this include:

1. A more formal financial resilience assessment to test the Constabulary's ability to adjust the budget and absorb the financial impacts of significant events or substantially different budget assumptions (Standard F);

2. Development of the business and financial planning within the BCH collaboration to focus on a true medium term forecast rather than year-to-year budgeting (Standards G and I); and
3. Development of a single approach to business cases in force with standardised templates, highlight reports and the assessment of benefits with value for money being central to the approach (Standard M).

The Constabulary have also joined the Achieving Financial Excellence in Policing (AFEP) Programme and undertook a Financial Management Capability Review and the implementation plan will also assist in managing the Amber rated standards up to Green.

The six principles and supporting standards are shown in the graphic below.



Financial Management Standard A		RAG Rating: Green	
<p>The leadership team is able to demonstrate that the services provided by the authority provide value for money.</p>	<p>The leadership within both the Constabulary and the OPCC actively pursue the delivery of value for money (VfM). This runs through all decisions and requires the need to balance operational threat and risk, with performance and finance.</p> <p>When the need arises both the Chief Constable and the PCC will challenge VfM as appropriate. Recent examples of this have been an independent review of BCH being commissioned by all three Forces (Crest Review), reviews tasked to consider specific business areas whether in force or in collaboration, and in the robust challenge of business cases as they evolve such as the 7 Force ICT convergence business case.</p> <p>The 7 Force Procurement function targets VfM through effective contract management, contract pipeline and competitive procedures to drive VfM through consolidated procurement across the Eastern region.</p> <p>In addition, the External Audit Reports conclude that proper arrangements are in place to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.</p> <p>Further consideration will be given as to how the demonstration of value for money can be strengthened further building on the arrangements already in place.</p>		
	Constabulary	OPCC	Source/Evidence
	<p>The Corporate Strategy has Resources as an Organisational Priority focusing on using our resources efficiently and effectively to ensure value for money and to invest in priority areas and integrate new technologies to improve policing. The Corporate Plan is published to the organisation and embedded in everyday discussion in</p>	<p>OPCC Budget has remained static over a number of years absorbing pay increases.</p> <p>The BCH Combined Financial Regulations contain the 7F Contract Standing Orders which target VfM.</p>	<p>Crest Review 7F ICT FBC Constabulary Corporate Plan External Audit Opinion 2019-20 7F Procurement Contract Standing Orders</p>

	<p>meetings and through 'My Conversation' (1:1 and annual appraisal process). The entire Constabulary is encouraged to consider VfM in everything we do.</p> <p>The Force Financial Instructions includes reference to the maximising VfM as part of the Force financial strategy.</p> <p>The Constabulary does consider the HMICFRS Value for Money profiles which do demonstrate that Cambridgeshire is one of the lowest funded Police Forces (5<sup>th</sup> lowest) and that expenditure on services generally reflects this. When coupled with the performance of the Constabulary which has improved in many areas again in 2020/21 this provides a proxy for VfM. However, more specific VfM analysis and review could be undertaken to strengthen the evidence base for the Constabulary.</p>	<p>All Grants and Contracts from the OPCC have specific outcome monitoring reporting to ensure VfM is key.</p>	
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Financial Management Standard B		RAG Rating: Green	
The authority complies with the CIPFA <i>Statement on the Role of the Chief Financial Officer in Policing</i> .	Both the Constabulary and OPCC CFOs are fully compliant with the CIPFA statement and principles contained therein. The CFOs fully understand their own roles and how they work together. The CFOs are key to the leadership teams of both organisations and are actively involved in key decisions. Both CFOs are professionally qualified and suitably experienced.		
	<b>Constabulary</b>	<b>OPCC</b>	<b>Source/Evidence</b>
	As above	As above	Job descriptions of the CFOs Board and meeting agendas and minutes
Financial Management Standard C		RAG Rating: Green	
The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	Business Co-ordination Board and Resource Group are joint meetings between Constabulary and OPCC attended by senior management. A well-established Joint Audit Committee is in place and has good attendance by senior management to meetings. The Internal Auditor's opinion for 2019/20 for both organisations on the adequacy and effectiveness of the system of internal control, stated that they have an adequate and effective framework for risk management, governance and internal control.		
	<b>Constabulary</b>	<b>OPCC</b>	<b>Source/Evidence</b>
	The Constabulary has in place a Corporate Framework detailing the governance arrangements including the terms of reference for each meeting and how they interrelate. The Force Executive Board meets monthly and the agenda covers the breadth of the Chief	Chief Executive ensures OPCC is staffed to undertake all statutory duties for delivery of the Police and Crime Plan. Governance structures are in place for the PCC to hold the CC to account. PCC signs oath on appointment to post which contains the NOLAN principles.	BCH Scheme of Delegation (Out of date) BCH Financial Regulations. JAC ToR, minutes and papers. PCC Oath. AGS

	<p>Constables responsibilities including collaborated areas.</p> <p>Chief Officers ensure that business and decisions are undertaken through the correct governance routes and processes and are appropriately minuted and recorded.</p> <p>Internal Audit is well embedded with the Constabulary and is provided by an independent third party. The outcome of internal audits are reported to the JAC for consideration, review and challenge.</p> <p>The Constabulary also has whistle blowing, fraud and corruption and risk management policies, the latter also being the subject of periodic internal audit.</p>		Constabulary Corporate Framework
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Financial Management Standard D		RAG Rating: Green	
The authority applies the CIPFA/SOLACE <i>Delivering Good Governance in Local Government: Framework</i> (2016).	Annual Governance Statements (AGS) for the Constabulary and OPCC set out governance arrangements in line with the CIPFA/SOLACE framework. The External Audit Reports conclude that proper arrangements are in place to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.		
	<b>Constabulary</b>	<b>OPCC</b>	<b>Source/Evidence</b>
	<p>The AGS is prepared independently by the Internal Auditors for the Force as a separate engagement to the Internal Audit Service. The AGS is presented to the JAC for review and comment before being finalised alongside the Statement of Accounts.</p> <p>The Constabulary has in place a Corporate Framework detailing the governance arrangements including the terms of reference for each meeting and how they interrelate.</p> <p>A Scheme of Governance is in place for the Constabulary which includes delegated authorities, working agreements between the PCC and the Chief Constable and the Financial Regulations. The Nolan principles also underpin the anti-fraud and anti-bribery strategy contained within the Financial Regulations. In addition the</p>	OPCC compiles an Annual Integrity report to JAC highlighting compliance.	AGS for both Constabulary and OPCC. Annual Integrity report. Constabulary Corporate Framework Scheme of Governance

	Constabulary has a Code of Ethics to abide by and the Corporate Plan sets out the Values that Officers and Staff are expected to demonstrate: Fairness, Integrity, Diligence and Impartiality.		
<b>Financial Management Standard E</b>		<b>RAG Rating: Green</b>	
The financial management style of the authority supports financial sustainability.	<p>The financial management style of the OPCC and Constabulary is one of openness and transparency to:</p> <ul style="list-style-type: none"> <li>• Deliver accountability;</li> <li>• Support performance; and</li> <li>• Enable transformation.</li> </ul> <p>Business and financial planning processes have within the Constabulary have been developed significantly over the last 18 months and continue to be refined to deliver sustainable solutions to financial challenges.</p> <p>The Medium Term Financial Strategy is a multi-year document and pays more focus on future years sustainability.</p>		
	<b>Constabulary</b>	<b>OPCC</b>	<b>Source/Evidence</b>
	<p>The Constabulary has a robust set of guiding evidenced through the Corporate Framework, Financial Regulations and Contract Standing Orders which are supported by the Force Financial Instructions.</p> <p>The Corporate Plan includes Resources as one the Organisational priorities to</p>	As above	<p>Constabulary Corporate Framework</p> <p>Scheme of Governance</p> <p>Corporate Plan</p> <p>Business Planning</p> <p>Internal Audit Report</p> <p>Medium Term Financial Strategy</p>

	<p>use our resources efficiently and effectively.</p> <p>The CFO and Director of Resources is a member of the Chief Officer Team (COT) providing input to strategic discussion and direction within the Constabulary. The COT meet weekly and the financial considerations of any decisions through the Corporate Framework focus on finance and value for money. In addition, Senior finance representatives sit on all key decision making and informative boards e.g. Change Board, Risk Review Board, Strategic Workforce Planning and Programme Boards.</p> <p>During 2020/21 the Constabulary has sought to modernise its approach to financial management through enhanced budget delegation to budget managers supported by a Finance Business Partnering approach from the Finance team. This is adding benefit through improved budget management and closer working between the business and finance throughout the organisation.</p>		
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Financial Management Standard F		RAG Rating: Amber	
The authority has carried out a credible and transparent financial resilience assessment.	<p>The MTFP is based on a four-year period including the Capital programme. A number of scenarios were tested in the development of the MTFP including known borrowing costs and MRP, a range of precept increases and savings plans. Scenarios were discussed at Resource Group and the STRA process identifies future demand and potential savings. The MTFS sits over all the documents and incorporates the Reserves position and the Capital Strategy.</p> <p>However, a formal financial resilience assessment has not been undertaken beyond the S151 Officer's sign off to the robustness of estimates and the adequacy of reserves. Such a resilience assessment would look at alternative scenarios and identify actions to mitigate any risks identified. As such, this Standard is assessed as Amber.</p>		
	<b>Constabulary</b>	<b>OPCC</b>	<b>Source/Evidence</b>
	As above	As above	MTFS inc Capital Programme, TMSS, STRA outcomes
Financial Management Standard G		RAG Rating: Amber	
The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	<p>A four-year MTFP and MTFS are in place, CIPFA advocate a minimum coverage of three years. The STRA process identified strategic threats and demands as well as savings to budget. The Constabulary keep the OPCC informed as the budget and MTFP is developed to ensure a common understanding. The MTFS is presented to the Police and Crime Panel for contextual information for consideration of the proposed precept as well as providing a briefing to the Panel members ahead of the relevant Panel meeting where the precept is voted on. Alongside the revenue budget the capital programme is also based on a four-year period. The whole suite of documents is refreshed annually to update for new information and changes to assumptions and estimates.</p> <p>Whilst significant improvement has been made in force there are still some improvements to make to the business and financial planning approach used within the BCH collaboration. As a result, this Standard is assessed as Amber.</p>		

	<b>Constabulary</b>	<b>OPCC</b>	<b>Source/Evidence</b>
	<p>The business planning processes of the Constabulary have been strengthened in recent years through the Strategic Threat and Risk Assessment (STRA) that is now in place. Business and financial planning have been brought together providing an improved planning process focussing on operational priorities alongside robust and sustainable financial management. The business planning of the Constabulary has received a substantial internal audit opinion in 2020/21.</p> <p>Regular reports are provided to the PCC's Business Coordination Board during the financial planning cycle as the proposals develop. This includes updates on key assumptions, and sensitivity analysis in respect of precept funding.</p>	As above	MTFS, MTFP, Budget presentation, Capital programme

Financial Management Standard H		RAG Rating: Green	
The authority complies with the CIPFA <i>Prudential Code for Capital Finance in Local Authorities</i> .	The Capital Strategy is informed by the Estates Strategy and the Accommodation Strategy forms part of the MTFS. The Capital Programme is incorporated within the Capital Strategy and is based on a four-year period and fully costed with associated capital financing plans. The borrowing and consequently MRP implications are included in the revenue budget. The Treasury Management Strategy Statement also includes the Prudential Indicators which are reported on in the Treasury mid-year report and the Annual Treasury Report.		
	<b>Constabulary</b>	<b>OPCC</b>	<b>Source/Evidence</b>
	As above	As above	MTFS incl Capital Strategy and Programme, Accommodation Strategy, TMSS
Financial Management Standard I		RAG Rating: Amber	
The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	<p>A four-year MTFP and MTFS are in place, CIPFA advocate a minimum coverage of three years. The STRA process identified strategic threats and demands as well as savings to budget. The Constabulary keep the OPCC informed as the budget and MTFP is developed to ensure a common understanding. The MTFS is presented to the Police and Crime Panel for contextual information for consideration of the proposed precept as well as providing a briefing to the Panel members ahead of the relevant Panel meeting where the precept is voted on. Alongside the revenue budget the capital programme is also based on a four-year period. The whole suite of documents is refreshed annually to update for new information and changes to assumptions and estimates.</p> <p>Whilst significant improvement has been made in force there are still some improvements to make to the business and financial planning approach used within the BCH collaboration. As a result, this Standard is assessed as Amber.</p>		

	<b>Constabulary</b>	<b>OPCC</b>	<b>Source/Evidence</b>
	<p>The business planning processes of the Constabulary have been strengthened in recent years through the Strategic Threat and Risk Assessment (STRA) that is now in place. Business and financial planning have been brought together providing an improved planning process focussing on operational priorities alongside robust and sustainable financial management. The business planning of the Constabulary has received a substantial internal audit opinion in 2020/21.</p> <p>The Constabulary has an Accommodation Strategy in respect of the operational policing needs of the Constabulary. The Accommodation Strategy informs the PCC's Estates Strategy which ultimately informs the Capital Programme and the TMSS and becomes part of the Capital Strategy.</p> <p>Work is being progressed in BCH to develop a BCH wide Estates Strategy to complement the Constabulary/PCC's Estates Strategy.</p>	As above	<p>MTFS and MTFP, STRA outcomes.</p> <p>Capital Strategy</p> <p>Accommodation Strategy</p> <p>Estates Strategy</p> <p>Treasury Management Strategy Statement</p> <p>Business Planning and Project Management</p> <p>Internal Audit Report.</p>

Financial Management Standard J		RAG Rating: Green	
The authority complies with its statutory obligations in respect of the budget setting process.	<p>Budget setting process is known and understood by all senior managers and finance staff. Deadlines are known and work is undertaken to meet those deadlines including liaison with local precepting authorities for required information. The CFO for the OPCC provides assurance in the MTFS regarding the robustness of estimates and adequacy of reserves.</p> <p>CFOs are aware of the statutory powers available to them through S114 notices should the Constabulary not be in a position to balance its budget or have sufficient resources to meet in year expenditure.</p>		
	Constabulary	OPCC	Source/Evidence
	As above	Letters to precepting authorities and all required notification completed within statutory timeframes.	Precept report, MTFS, MTFP
Financial Management Standard K		RAG Rating: Green	
The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	<p>The MTFS includes a statement by the OPCC CFO on robustness of estimates and adequacy of reserves. Reserves are all detailed with purpose and the forecast for the 4 year MTFP period is reported in the MTFS. Reserves are discussed at the Resource Group and Business Coordination Board and some consolidation of reserves will be made from 1 April 2021.</p>		
	Constabulary	OPCC	Source/Evidence
	As above	As above	MTFS

Financial Management Standard L		RAG Rating: Green	
The authority has engaged, where appropriate, with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	There is close working between the Constabulary and OPCC in the development of the MTFP/MTFS. Matters are discussed at Resource Group. BCH budget processes are more aligned to our timescales.		
	<b>Constabulary</b>	<b>OPCC</b>	<b>Source/Evidence</b>
	<p>The Constabulary engages with relevant stakeholders in setting its budget which include in the main forces that the Constabulary is in collaboration with. These include the Chiltern Transport Consortium, the 7 Force Eastern Region collaboration, the National Police Air Service (NPAS) and the tri-force collaboration with Bedfordshire and Hertfordshire.</p> <p>Where appropriate other stakeholders are engaged with as necessary. Examples include in respect of other national policing initiatives which impact the budget.</p>	Engagement activity took place in January on precept increase.	Precept report

Financial Management Standard M		RAG Rating: Amber	
<p>The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.</p>	<p>Within BCH and other collaborations major business cases are based on the Treasury Green Book including the options appraisal methodology. Outline Business Cases are discussed at Board level in BCH and internally within the Force prior to approval for the Full Business Case to proceed. Benefits realisation form part of the business cases. Examples during 2020/21 include the 7 Force ICT Convergence and the Monks Wood training facilities for BCH.</p> <p>In Force business cases are used but the approach is more varied. The recent Business Planning and Project Management internal audit report concluded that of the six STRA priority projects whilst:</p> <p>“each had a Project Initiation Documents (PIDs), only four had a business case which we noted were in a variety of formats. Although recognising that the areas missing a business case within this sample had been reviewed through the STRA process, there is a risk within the broader project management process that in the absence of a business case there will not be adequate evaluation of a project at the outset.</p> <p>We noted that the PIDs contained a section covering benefits, these were in a mixture of qualitative and quantitative measures. One covering Neighbourhood Support Team gave a brief list that did not fully explain what the benefits were and how they would be measured. We also noted through review that the benefits for each of these projects were more fully detailed in the precept report to the Police and Crime Panel in February 2021”.</p> <p>As a result, the Constabulary is putting in place a single project management methodology which will include standard templates including business cases, highlight reports and benefits realisation. Value for money will be incorporated into this approach. For reports to meetings under the Corporate Framework consideration will be given to include a cover sheet to ensure that all disciplines such as procurement, legal, comms and finance have been consulted on the report as appropriate with the finance focus to include a value for money consideration.</p>		
	<b>Constabulary</b>	<b>OPCC</b>	<b>Source/Evidence</b>
	As above	As above	Business cases for ICT and Monks Wood Business Planning and Project Management Internal Audit Report

Financial Management Standard N		RAG Rating: Green	
The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	<p>Monthly revenue and capital monitoring reports are produced for the Constabulary and OPCC which are taken to FEB and BCB. The reports have been improved during 2020/21 consolidating the revenue and capital monitoring along with key performance indicators for prompt payment and debt management, the reserves position and cash flow forecasts. The monthly financial report provides a complete picture to management and leadership on a regular basis. The reports set out variances (both over / under spends) upon which decisions are taken and risks are managed.</p> <p>Financial monitoring on BCH collaborated areas are also produced for JCOB meetings and 7 Force finances are reported to the Regional Finance Steering Group of which the Chief Constable's CFO attends.</p> <p>Non-financial reports are also received from across the business which consider the breadth of implications such as finance, estates, HR and / or procurement as well as risks and opportunities. Such reports are either proposed by the service areas or commissioned by the OPCC and / or the Constabulary.</p>		
	<b>Constabulary</b>	<b>OPCC</b>	<b>Source/Evidence</b>
	As above	As above	Revenue and Capital Monitoring reports.
Financial Management Standard O		RAG Rating: Green	
The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.	<p>Outstanding debt and KPIs of Purchase Ledger performance are included in monthly Revenue and Capital monitoring reports and are discussed at the relevant FEB or BCB when required. Cash flow forecasts and loans are also reported on in the same report. A Treasury Management briefing was undertaken by CFOs for members of JAC and A/PCC and Chief Executive during 2020/21.</p> <p>Any unplanned use of reserves would be reported through the financial monitoring report; however, it should be noted that there has not been any unplanned use of reserves in recent years.</p>		

	<b>Constabulary</b>	<b>OPCC</b>	<b>Source/Evidence</b>
	As above	As above	Revenue and Capital Monitoring reports.
<b>Financial Management Standard P</b>		<b>RAG Rating: Green</b>	
<p>The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the <i>Code of Practice on Local Authority Accounting in the United Kingdom</i>.</p>	<p>The CFOs for the PCC and Chief Constable are fully aware of the statutory requirement for the production and external audit of the annual Statement of Accounts. This also extends to the requirements for Public Inspection of the accounts. The CFOs attend annual closedown briefings that are provided by the external auditors to ensure current issues and developments are understood and considered.</p> <p>The Statement of Accounts are completed on time and this remained the case for the 2019/20 accounts despite the Covid 19 implications.</p> <p>External Auditor reports are unqualified and for 2019/20 state that the accounts give a true and fair view of the financial position of the OPCC and Constabulary as at 31 March 2020 and of its expenditure and income for the year then ended and give a true and fair view of the financial position of the group as at 31 March 2020 and of its expenditure and income for the year then ended; have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and have been prepared in accordance with the requirements of the Local Audit Accountability Act 2014.</p>		
	<b>Constabulary</b>	<b>OPCC</b>	<b>Source/Evidence</b>
	As above	As above	External Auditors Opinion 2019/20
<b>Financial Management Standard Q</b>		<b>RAG Rating: Green</b>	
The presentation of the final outturn figures and variations from budget	<p>The final outturn report is an extension of the monthly monitoring report across the entire activity of the Constabulary, updated for the year end and including all necessary accruals. Therefore, the commentary provided at Standard N similarly apply to this Standard. The outturn report provides an overview of the key</p>		

allow the leadership team to make strategic financial decisions.	variances and issues experienced during the year and where necessary issues are carried forward to be addressed in the following year's budget (although this would be set before the outturn report is in place) or for inclusion in the next budget / MTFP refresh.		
	<b>Constabulary</b>	<b>OPCC</b>	<b>Source/Evidence</b>
	As above	As above	Outturn Reports PCC Annual Report