



Home Office

Revised Financial Management Code of Practice

**For the Police Forces of England and Wales and Fire and
Rescue Authorities created under section 4A of the Fire and
Rescue Services Act 2004.**

July 2018





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Presented to Parliament pursuant to Section 17 (6) of the Police
Reform and Social Responsibility Act 2011 and paragraph 7 of
Schedule A2 to the Fire and Rescue Services Act 2004.

July 2018



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1. Introduction

1.1 Purpose of the code

This Financial Management Code of Practice (FMCP) provides clarity around the financial governance arrangements within the police in England and Wales, and reflects the fact that the police have a key statutory duty to secure value for money in the use of public funds. It provides high level guidance to help ensure effective and constructive relationships in all financial matters. The FMCP sets the tone while promoting flexibility and avoiding overt prescription so that the detail of arrangements can be worked out locally.

The FMCP also provides clarity around financial governance arrangements for Police and Crime Commissioners in England who are also Fire and Rescue Authorities under section 4A of the Fire and Rescue Services Act 2004.

1.2 Statutory basis of the code

This FMCP comes into effect on 24 July 2018, and from that date it replaces the previous FMCP which had effect from 1 November 2013.

This FMCP is issued under section 17 of the Police Reform and Social Responsibility Act 2011, which permits the Secretary of State to issue codes of practice to all Police and Crime Commissioners (PCCs), the Mayor's Office for Policing and Crime (MOPAC), the Combined Authority Mayor for Greater Manchester, and Chief Constables. As set out in section 17(4) of the 2011 Act, PCCs, MOPAC, the Combined Authority Mayor for Greater Manchester¹, and Chief Constables must have regard to this code in carrying out their functions.

This FMCP is also issued under section 17 of the Police Reform and Social Responsibility 2011 Act as applied with modifications by paragraph 7 of Schedule A2 to the Fire and Rescue Services Act 2004 which permits the Secretary of State to issue a code of practice to fire and rescue authorities established under section 4A of the Fire and Rescue Services Act 2014 (referred to in this document as section 4A fire and rescue authorities, (s.4A FRAs)). As set out in section 17(4) of the 2011 Act as applied by the 2004 Act, s.4A FRAs must have regard to this code in carrying out their functions.

¹ By virtue of the Greater Manchester Combined Authority (Transfer of Police and Crime Commissioner Functions to the Mayor) Order 2017 (SI 2017/470).

2. Background

2.1 Scope and status of the code

This FMCP applies to the discharge of functions by all PCCs in England and Wales and, unless specifically stated, a reference in the FMCP to a PCC includes MOPAC and the Combined Authority Mayor for Greater Manchester. This FMCP applies to every Chief Constable of a police force maintained by a PCC, MOPAC or the Combined Authority Mayor for Greater Manchester, and, unless specifically stated, a reference in the FMCP to a Chief Constable includes the Commissioner of Police of the Metropolis.

The FMCP does not apply to the Commissioner of the City of London Police or the Common Council, who continue to form the Police Authority for the City of London. However, they are encouraged to abide by the working principles of this document.

This FMCP further applies to the discharge of functions by all s.4A FRAs in England. The fire and rescue service is a devolved matter in Wales and the relevant provisions of the Policing and Crime Act do not apply there.

This document will be reviewed and updated at regular intervals to ensure that it reflects any significant change to the relevant legislative framework.

2.2 Hierarchy of requirements

The FMCP is one element of a comprehensive framework for financial governance within the police which includes primary legislation, secondary legislation (including the Policing Protocol) and guidance.

s.4A FRAs should also consider relevant primary and secondary legislation and published guidance.

2.2.1 Primary legislation

The functions of PCCs and Chief Constables in England and Wales are set out in the Police Reform and Social Responsibility Act 2011, and in the Acts and secondary legislation amended by that Act. The relevant Acts amended by the Police Reform and Social Responsibility Act include the Local Government Finance Act 1988 and the Police Act 1996.

The functions of the Combined Authority Mayor for Greater Manchester are those set out in the Greater Manchester Combined Authority (Transfer of Police and Crime Commissioner Functions to the Mayor) Order 2017 which modifies and applies legislation applying to PCCs so that they apply to the Mayor, or in some cases to the Combined Authority.

The functions of s.4A FRAs in England are set out primarily in the Fire and Rescue Services Act 2004 as amended by the Policing and Crime Act 2017.

2.2.2 Policing Protocol

The Policing Protocol issued by the Home Secretary by means of the Policing Protocol Order 2011 sets out to all PCCs, Chief Constables and Police and Crime Panels (including the London Assembly Police and Crime Panel) how their functions will be exercised in relation to each other. It sets out the high level financial responsibilities of the PCC and the Chief Constable, making clear that the former is ultimately accountable to the public for the management of the Police Fund while the latter has day to day responsibility for managing their allocated budgets after these have been approved by the PCC. This FMCP builds on the Policing Protocol and sets out the working financial relationship between the PCC and the Chief Constable and their respective Chief Finance Officers, having regard also to the role performed by the PCC's Chief Executive.

2.2.3 Other requirements and guidance

A considerable amount of secondary legislation and guidance on financial matters applies to the police and PCCs in England and Wales, and where applicable, to s.4A FRAs in England. This includes:

- the Accounts and Audit Regulations 2015 issued by the Ministry for Housing, Communities and Local Government (MHCLG) which sets the financial reporting framework for local government bodies, including police and fire bodies;
- Accounts and Audit (Wales) Regulations 2014 issued by the Welsh Government;
- the Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA/LASAAC, which constitutes proper practices for local government bodies, including police and fire bodies;
- the Public Sector Internal Audit Standards (PSIAS) issued by CIPFA as the relevant internal audit standards setter for local government, including police and fire bodies;
- Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards issued by CIPFA;
- Delivering Good Governance in Local Government: Framework issued by CIPFA/SOLACE;
- Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales issued by CIPFA;
- Statement on the Role of the Chief Financial Officer in Public Service Organisations issued by CIPFA;
- Statement on the Role of CFOs in Policing issued by CIPFA;
- Standing Guide to the Commissioning of Local Authority Work and Services issued by CIPFA;
- Prudential Code for Capital Finance in Local Authorities issued by CIPFA;
- Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes issued by CIPFA;

- Audit Committees: Practical Guidance for Local Authorities and Police issued by CIPFA;
- Position Statement on Audit Committees in Local Authorities and Police issued by CIPFA;
- Statutory guidance for local authorities on the framework for flexible use of capital receipts issued by MHCLG and the Welsh Government; and
- Fire and Rescue National Framework for England issued by the Home Office.

Managing Public Money, issued by HM Treasury, sets out the main principles for dealing with resources in public sector organisations. It offers guidance on how to handle public funds with probity and in the public interest. PCCs, Mayors of Combined Authorities and those Combined Authorities, Chief Constables and s.4A FRAs have a responsibility to satisfy the principles set out in Managing Public Money and put in place proper arrangements to secure value for money in their use of resources. Further information can be found at Annex C.

This FMCP supplements but does not replace the requirements arising from these documents. In addition, organisations including CIPFA are likely to publish additional and updated accounting guidance. This will also apply to the police in England and Wales and to s.4A FRAs in England.

SECTION A: POLICING

3 Context

As set out in the Policing Protocol, each PCC and their respective Chief Constable is established in law as a corporation sole under the Police Reform and Social Responsibility Act 2011. 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 PCC are accountable to the directly elected holder of that office.

The relationship between the PCC and Chief Constable is defined by the PCC's democratic mandate to hold the Chief Constable to account, and by the law itself: primary legislation and common law provide clarity on the principles that underpin police operational independence and the Office of Constable.

In respect of the Combined Authority Mayor for Greater Manchester, the Combined Authority is the legal entity - a body corporate – and the Mayor does not have a separate legal personality. Nevertheless, the Mayor has a duty in law to maintain a Police Fund and is accountable for all decisions in relation to police spending, which the Mayor must make in the exercise of their PCC functions. Staff deployed in whole, or in part, in relation to the Mayor's PCC functions will be employed by the Combined Authority, although decisions in relation to their employment may be taken by the Mayor in the exercise of the Mayor's PCC functions. Decisions in relation to their deployment for the Mayor's PCC functions will be for the Mayor. Staff or officers seconded from the police force to work for the Mayor in relation to the Mayor's PCC functions will be employed or appointed by the Chief Constable. References in this document to the PCC being a corporation sole should be read in the Greater Manchester context as referring to the Combined Authority being a body corporate.

3.1 The Police and Crime Commissioner

The PCC within each force area has a statutory duty and electoral mandate to ensure an efficient and effective police service and to hold the police to account on behalf of the public. The PCC is the recipient of funding relating to policing and crime reduction, including government grant and precept and other sources of income. Details of the local arrangements relating to income, such as that collected under section 25 of the Police Act 1996, should be set out in local schemes of governance. 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.

The PCC is required to hold the Police Fund under section 21 of the Police Reform and Social Responsibility Act 2011. All receipts and expenditure of the PCC must be paid into and out of that fund and accounts of payments into and out of the fund must be kept.

In respect of the Combined Authority Mayor for Greater Manchester, the Combined Authority is the recipient of funding relating to policing and crime reduction, though there is a statutory obligation that all of that funding must be paid into the Mayor's Police Fund. The Mayor is to exercise all functions relating to property, rights and liabilities acquired in relation to the Mayor's PCC functions, make all decisions relating to such property, rights and liabilities, and any receipts arising from such property, rights and liabilities are to be paid into the Police Fund kept by the Mayor.

Under paragraph 6 of Schedule 1 to the Police Reform and Social Responsibility Act 2011, every PCC outside London and Manchester is required to appoint a person to be responsible for the proper administration of the Commissioner's financial affairs, referred to as the Chief Finance Officer. An identical duty is placed on the MOPAC by section 127 of the Greater London Authority Act 1999. Schedules 1 and 3 to the Act also require PCCs to appoint a Chief Executive who also acts as the PCC's Monitoring Officer.

In respect of the Combined Authority Mayor for Greater Manchester, the Combined Authority is required by section 73 of the Local Government Act 1985 to appoint a Chief Finance Officer to be responsible for the proper administration of the Combined Authority's affairs. This individual will also cover the Mayor's PCC functions. Section 5 of the Local Government and Housing Act 1989 also requires the Combined Authority to appoint a Monitoring Officer, who will also cover the Mayor's PCC functions.

3.2 The Chief Constable

The Chief Constable is responsible for maintaining the Queen's Peace, and has direction and control over the force's officers and staff. The Chief Constable holds office under the Crown, but is appointed by the PCC outside London (the Commissioner and Deputy Commissioner of Police of the Metropolis are appointed by the Queen on the recommendation of the Home Secretary).

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, their constables and staff, remain operationally independent in the service of the public.

Under paragraph 4 of Schedule 2 and paragraph 1 of Schedule 4 to the Police Reform and Social Responsibility Act 2011, the Chief Constable is required to appoint a person to be responsible for the proper administration of the Chief Constable's financial affairs, referred to as the police force's Chief Finance Officer. There is nothing in legislation that prevents the same individual from being the Chief Finance Officer for both the PCC and Chief Constable. This is a matter for local determination taking any potential conflicts of interest into account.

4 Roles and responsibilities

The Chief Finance Officer of the PCC (sometimes referred to as the Treasurer) and of the Chief Constable each has a personal fiduciary duty by virtue of their appointment as the person responsible for proper financial administration under the Police Reform and Social Responsibility Act 2011. This includes requirements and formal powers to safeguard lawfulness and propriety in expenditure (section 114 of the Local Government Finance Act 1988, as amended by paragraph 188 of Schedule 16 to the Police Reform and Social Responsibility Act 2011). In respect of the Combined Authority Mayor for Greater Manchester, the Chief Finance Officer of the Combined Authority performs these duties in relation to the Mayor's PCC functions.

The Chief Executive is designated as the Monitoring Officer for the purposes of section 5(1) of the Local Government and Housing Act 1989 with responsibility for ensuring the legality of the actions of the PCC and the PCC's staff (see paragraph 202 of Schedule 16 to the 2011 Act, which amends section 5 of the 1989 Act). In respect of the Combined Authority Mayor for Greater Manchester, the Monitoring Officer of the Combined Authority performs these duties in relation to the Mayor's PCC functions.

An effective, cooperative and constructive working relationship between the two Chief Finance Officers is fundamental and is more likely to be achieved where communication and clarity of understanding are at their highest. Mutual understanding of and respect for each party's statutory functions will serve to enhance policing for local communities. It is expected that the principles of goodwill, professionalism, openness and trust will underpin the relationship and that all parties will do their utmost to make the relationship work. It is also acknowledged that good relationships between the Chief Finance Officers and the Chief Executive are fundamentally important and need to be underpinned by the same principles.

The statutory duties of both Chief Finance Officers are largely identical and this Code is the mechanism for guiding how they should operate effectively and without conflict, to reflect the legal and financial implications of having two corporations sole (in respect of the Combined Authority Mayor for Greater Manchester a corporation sole (the Chief Constable) and a body corporate (the Combined Authority)).

Both Chief Finance Officers have a fiduciary duty to the local taxpayer as both have a responsibility for securing the efficient use of public funds (which will in both cases include revenue derived from the police precept). This implies public reporting responsibilities in certain circumstances for both Chief Finance Officers. However, given that the PCC has a statutory responsibility for the Police Fund, the Chief Finance Officer of the PCC will have responsibility for all statutory reports relating to the adequacy of the overall resource envelope available to meet police force expenditure. In respect of the Combined Authority Mayor for Greater Manchester, the Chief Finance Officer of the Combined Authority performs these duties in relation to the Mayor's PCC functions.

There is a reciprocal fiduciary duty on both Chief Finance Officers to support the other in the execution of their duties in relation to policing matters. It is therefore recommended that if either of the Chief Finance Officers intends to exercise their statutory powers under section 114 of the 1988 Act, they should inform the other (as well as the Chief Executive) as soon as possible.

4.1 Chief Finance Officer of the Police and Crime Commissioner

The statutory responsibilities of the Chief Finance Officer of the PCC are set out in paragraph 6 of Schedule 1 to the Police Reform and Social Responsibility Act 2011, section 127 of the Greater London Authority Act 1999 (in the case of the Mayor's Office for Policing and Crime) and section 114 of the Local Government Finance Act 1988. The qualifications for the Chief Finance Officer are set out in section 113 of the Local Government Finance Act 1988. The Accounts and Audit Regulations 2015 impose further responsibilities in England. The Accounts and Audit (Wales) Regulations 2014 apply in Wales. Taken together, and considered in the context of the Police Reform and Social Responsibility Act 2011 and its associated Policing Protocol, these mean that the Chief Finance Officer of the PCC is 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, feasibility and value for money in the use of public funds;
- ensuring that the funding required to finance agreed programmes is available from central Government and Welsh Government funding, 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;
- reporting to the PCC, the Police and Crime Panel and to the external auditor when it appears that expenditure is likely to exceed the resources available to meet that expenditure;
- advising the PCC on the robustness of the budget and adequacy of financial reserves;
- ensuring production of the statements of accounts of the PCC and confirming (or in Wales certifying) that they present a true and fair view of the financial position of the PCC at the end of the financial year to which it relates and of the PCC's income and expenditure for that financial year;
- ensuring receipt and scrutiny of the statements of accounts of the Chief Constable and ensuring production of the group accounts;
- liaising with the external auditor (see section 11.1.2 of this document);
- 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; and
- advising, in consultation with the Chief Executive, on the safeguarding of assets, including risk management and insurance.

The Chief Finance Officer of the PCC 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.

The Chief Finance Officer of the PCC is the PCC's professional adviser on financial matters. To enable them to fulfil these duties and to ensure the PCC is provided with adequate financial advice, the Chief Finance Officer of the PCC:

- 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;
- must ensure that the finance function is resourced to be fit for purpose; and
- must be suitably experienced and ensure professional knowledge is kept current through continuing professional development.

Further information can be found in the Statement on the Role of the Chief Financial Officer in Public Service Organisations and the Statement on the Role of CFOs in Policing issued by CIPFA.

These principles apply as appropriate in respect of the role of the Chief Finance Officer of the Greater Manchester Combined Authority in relation to the PCC functions of the Mayor, however, where the above references statements of accounts of the PCC, this should be read as statements of accounts for the Combined Authority (see section 7.1).

4.2 Police Force Chief Finance Officer

The statutory responsibilities of the Police Force Chief Finance Officer are largely identical to those of the Chief Finance Officer of the PCC. They are set out in paragraph 4 of Schedule 2 and paragraph 1 of Schedule 4 to the Police Reform and Social Responsibility Act 2011 and section 114 of the Local Government Finance Act 1988. The qualifications for the Chief Finance Officer are set out in section 113 of the Local Government Finance Act 1988. The Accounts and Audit Regulations 2015 impose further responsibilities. The Accounts and Audit (Wales) Regulations 2014 apply in Wales. Taken together, and considered in the context of the Police Reform and Social Responsibility Act 2011 and its associated Policing Protocol, these mean that the Police Force Chief Finance Officer is responsible for:

- ensuring that the financial affairs of the force are properly administered and that financial regulations drawn up by the PCC (developed in close consultation with the Chief Constable, the two Chief Finance Officers and the Chief Executive), are observed and kept up to date;
- reporting to the Chief Constable, the PCC and the external auditor, any unlawful, or potentially unlawful, expenditure by the Chief Constable or officers of the Chief Constable;
- reporting to the Chief Constable, the PCC and the external auditor when it appears that expenditure of the Chief Constable is likely to exceed the resources available 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 (see section 11.1.2 of this document);
- producing the statement of accounts for the Chief Constable and confirming (or in Wales certifying) that they present a true and fair view of the financial position of the Chief Constable at the end of the financial year to which it relates and of the Chief Constable's income and expenditure for that financial year; and
- providing information to the Chief Finance Officer of the PCC as required to enable production of group accounts.

The Police Force Chief Finance Officer 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 Police Force Chief Finance Officer will need to observe the locally agreed timetable for the compilation of the group accounts by the PCC's Chief Finance Officer. In respect of the Combined Authority Mayor for Greater Manchester, these will be the group accounts of the Combined Authority.

The Police Force Chief Finance Officer is the Chief Constable's professional adviser on financial matters. To enable them to fulfil these duties the Police Force Chief Finance Officer:

- must be a key member of the Chief Constable's Command Team, 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;
- must ensure that the finance function is resourced to be fit for purpose; and

- must be suitably experienced and ensure professional knowledge is kept current through continuing professional development.

Further information can be found in the Statement on the Role of the Chief Financial Officer in Public Service Organisations and the Statement on the Role of CFOs in Policing issued by CIPFA.

4.3 Information Sharing

As set out in section 36 of the Police Reform and Social Responsibility Act 2011, a Chief Constable must give the relevant PCC such information on policing matters that the body may require. As a result the Chief Finance Officer of the PCC must have full access to all relevant financial information. The details of this should be set in a locally agreed Information Sharing Protocol to be agreed by the two Chief Finance Officers in consultation with the Chief Executive. There may be no need to have a separate Information Sharing Protocol as these provisions could be incorporated in the Scheme of Governance.

Wherever possible, any duplication of work and data collection by the finance functions of the two corporations sole should be minimised. Where possible it is recommended that the two corporations sole share a financial system. Additional costs and effort resulting from time consuming and complex bureaucratic financial reporting between the two bodies should be avoided and the principle of good governance and added value activities should be promoted.

In respect of the Combined Authority Mayor for Greater Manchester, reference to the two corporations sole is to be read as referring to the Greater Manchester Combined Authority as a body corporate and to the Chief Constable as a corporation sole.

5 Schemes of Governance

A Scheme of Governance should be prepared by the PCC, advised by the Chief Finance Officer of the PCC in consultation with the Chief Executive, the Chief Constable and the Police Force Chief Finance Officer. This Scheme should be regularly reviewed and amended in consultation with, and on the advice of, these same people as appropriate.

The Scheme should identify those powers which may be exercised by either the PCC or the Chief Constable (as applicable) but which may also be exercised by their staff. It should also set out any constraints on those powers, including requirements to report back or advise the PCC or the Chief Constable, and should address circumstances which will require consultation between the staff of the PCC and the Chief Constable. Key elements of an integrated Scheme of Governance will be comprised of:

- Scheme of Consent
- Financial regulations

- Standing Orders relating to contracts
- Scheme(s) of Delegation

The purpose of this integrated Scheme is to set out the extent of, and any conditions attaching to, the PCC's consent to the Chief Constable's exercise of the powers to enter into contracts and acquire or dispose of property.

However, the Scheme also provides an opportunity to set out in more detail, any terms on which the respective functions of the PCC and the Chief Constable will be exercised in order to achieve the objectives set out in the PCC's Police and Crime Plan and to deliver efficient and effective policing. The Scheme should therefore, as a minimum, set out how:

- the PCC expects the funds provided to the Chief Constable for policing to be applied;
- the PCC will hold the Chief Constable to account for the day to day management of those funds;
- the Chief Constable will carry out their duty to assist in the exercise of the PCC's functions;
- the Chief Constable will exercise their power to do anything calculated to facilitate the exercise of their own functions;
- the PCC will exercise their power to delegate the exercise of their functions to their own staff; and
- the terms on which the PCC will exercise any functions they retain to aid the delivery of efficient and effective policing.

Further information can be found in Delivering Good Governance in Local Government: Framework issued by CIPFA/SOLACE and Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales issued by CIPFA.

In respect of Greater Manchester, the Scheme of Governance is a matter for approval by the Mayor. The Scheme may be published as part of the suite of the Greater Manchester Combined Authority governance documents.

6 Financial regulations and standing orders on contracts

Each PCC should have a single set of standing orders relating to contracts as well as detailed financial regulations. These should complement the schemes of governance. The standing orders and financial regulations together govern the relationship between the PCC and the Chief Constable in financial matters and should be developed in close consultation with the Chief Constable, the two Chief Finance Officers and the Chief Executive. This could be a single set of joint financial regulations signed independently by each corporation sole.

In respect of Greater Manchester, reference to each corporation sole should be read as referring to the Greater Manchester Combined Authority as a body corporate and to the Chief Constable as a corporation sole.

It is recommended that in each case the financial regulations should:

- ensure that the financial dealings of the PCC and of the Chief Constable are conducted properly and in a way which incorporates recognised best practice (as set out in guidance published by relevant bodies) and which focuses on bringing operational and financial management together with accurate, complete and timely financial information; and
- include sufficient safeguards for both Chief Finance Officers who are responsible for ensuring that the financial affairs of the relevant organisation are properly administered to discharge properly their statutory obligations.

7 Accounting

7.1 Arrangements for producing accounts

The responsibilities for producing accounts are set out in sections 4.1 and 4.2 of this document. The Chief Finance Officer of the PCC will set out the arrangements for the production of the group accounts. The Police Force Chief Finance Officer is responsible for producing the Chief Constable's accounts in accordance with the timetable and requirements of the group accounts as agreed locally and in accordance with the financial reporting framework.

In respect of Greater Manchester, details of the Police Fund should be separately identifiable in the Combined Authority's single entity accounts and in the group accounts upon inclusion of the Chief Constable's accounts.

7.2 Reserves and provisions

The PCC should establish a policy on reserves (including how they might be used by the Chief Constable) and provisions in consultation with the Chief Constable. This should have due regard to the need to ensure the ongoing funding of policing activities and the requirement to meet exceptional or extraordinary policing operations.

Reserves should be held by the PCC and managed to balance funding and spending priorities and to manage risks. This should be established as part of the medium term financial planning process (see section 8.1 of this document).

Further guidance can be found in the Local Authority Accounting Panel (LAAP) Bulletin 99 on Local Authority Reserves and Balances issued by CIPFA.

Locally agreed financial regulations and schemes of governance should:

- contain full details of how the reserves and provisions policy will operate locally;
- ensure that the annual budget (see section 8.2 of this document) includes a realistic amount of operational contingency that is available to the Chief Constable for operational priorities without the need for additional approval; and

- make provision for budgets to be carried forward from one financial year to the next.

In respect of the Combined Authority Mayor for Greater Manchester, there is a separate Police Fund which contains revenue and capital police reserves. Decisions regarding the reserves held for policing should be made by the Mayor for the Combined Authority. These reserves include the capital receipts reserve.

7.2.1 Transparency of reserves information

Each PCC should publish their reserves strategy on their website, either as part of their medium term financial strategy or in a separate reserves strategy document. The reserves strategy should include details of current and future planned reserve levels, setting out a total amount of reserves and the amount of each specific reserve held for each year. The reserves strategy should cover revenue and capital reserves and provide information for the period of the medium term financial plan (and at least two years ahead).

Sufficient information should be provided to enable understanding of the purpose(s) for which each reserve is held and how holding each reserve supports the PCC's medium term financial plan.

The strategy should be set out in a way that is clear and understandable for members of the public, and should include:

- how the level of the general reserve has been set;
- justification for holding a general reserve larger than five percent of budget;
- details of the activities or items to be funded from each earmarked reserve, and how these support the PCC and Chief Constable's strategy to deliver a good quality service to the public. Where an earmarked reserve is intended to fund a number of projects or programmes (for example, a change or transformation reserve), details of each programme or project to be funded should be set out.

The information on each reserve should make clear how much of the funding falls into the following three categories:

- Funding for planned expenditure on projects and programmes over the period of the current medium term financial strategy.
- Funding for specific projects and programmes beyond the current planning period.
- As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance).

The Chief Finance Officer of the PCC should send the Home Office a copy of their reserves strategy each year.

8 Strategic and financial planning

8.1 Medium term financial strategy

The PCC and the Chief Constable share a responsibility to provide effective financial and budget planning for the short, medium and longer term. The financial regulations should include the requirement for the PCC, in consultation with the Chief Constable, to identify and agree a medium term financial strategy which includes funding and spending plans for both revenue and capital. The strategy should have regard to affordability and take into account multiple years, the inter-dependencies of revenue budgets and capital investments, the role of reserves and the consideration of risks. It must also have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities, including the requirement to produce an Annual Capital Strategy. The medium term financial strategy should be aligned with the Police and Crime Plan.

8.2 Budget preparation

The PCC should consult with the Chief Constable in planning the overall annual budget which will include a separate force budget. This will take into consideration funding from government and other sources, and balance the expenditure needs of the policing service against the level of local taxation raised through the council tax precept. This should meet the statutory requirements to achieve a balanced budget (Local Government Finance Act 1992) and be completed in accordance with the statutory timeframe.

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 (see section 8.1 of this document) should be clearly identified.

As set out in section 96 of the Police Act 1996, as amended by section 14 of the Police Reform and Social Responsibility Act 2011, the PCC must 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.

8.3 Precept

Part 1 of the Local Government Finance Act 1992 and Part 3 of the Greater London Authority Act 1999 set out the process for issuing precepts. Section 26 of the Police Reform and Social Responsibility Act 2011 establishes the PCC as a precepting authority for the purposes of the 1992 Act. The role of the Police and Crime Panel in this process, in a police area outside London, is set out in Schedule 5 to the Police Reform and Social Responsibility Act 2011. This is supplemented by regulations.

In respect of Greater Manchester, the Combined Authority is the precepting authority. There is a separately identifiable policing component of the single precept issued by the Combined Authority. The Mayor sets the level of the policing component of the precept. The Police and Crime Panel has the same role as a PCC Police and Crime Panel in relation to the policing component of the precept.

9 Financial Management

9.1 Day to day financial management

To help ensure the effective delivery of policing services and to enable the Chief Constable to have impartial direction and control of all constables and staff within their force, the Chief Constable should have day to day responsibility for financial management of the force within the framework of the agreed budget allocation and levels of authorisation issue by the PCC.

The Chief Constable must ensure that the financial management of their allocated budget remains consistent with the objectives and conditions set by the PCC. The Chief Constable will discharge this through the Police Force Chief Finance Officer who will lead for the force on financial management.

When the Chief Constable intends to make a significant change of policy or seeks to move significant sums of their budget then the approval of the PCC should be sought. Full details should be set out in locally agreed financial regulations.

9.2 Asset management

The PCC may own and fund police assets regardless of whether they are used by the PCC, by the force or by both bodies. However, with consent from the PCC, the Chief Constable can acquire assets (other than land or buildings) and this should be set out in the Scheme of Governance.

The Chief Constable is responsible for the direction and control of the force and should therefore have day-to-day management of all assets used by the force. The accounting for assets should comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom as set out in the financial reporting framework in section 2.2.3 of this document.

As set out in sections 8.1 and 8.2 of this document, the PCC should consult the Chief Constable in planning the budget and developing a 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.

In respect of the Combined Authority Mayor for Manchester, aside from the assets owned by the Chief Constable, the Combined Authority is the legal owner of police assets. However, SI 2017/470² sets out that all decisions in relation to such assets must be made by the Mayor. This includes assets transferred from the former PCC to the Combined Authority in 2017, as well as assets which are acquired after the Mayor began to exercise PCC functions, and which relate to those functions. Existing police assets and those acquired after the Mayor began to exercise PCC functions should be clearly labelled as

² The Greater Manchester (Transfer of Police and Crime Commissioner Functions to the Mayor) Order 2017

police assets in Combined Authority asset registers. Otherwise, asset management should operate in the same way as for PCCs, with the powers of the Chief Constable in relation to assets unaffected, and the expectation of close consultation between the Chief Constable and the Mayor on such matters.

9.3 Property, contracts and procurement

The PCC has overall responsibility for property and contracts but with consent from the PCC, the responsibility for carrying out the daily administration of property and contracts can be carried out by the Chief Constable or staff of the Chief Constable. In addition, with consent from the PCC, Chief Constables can enter into contracts. Any such arrangements should be set out in the Scheme of Governance.

In respect of the Combined Authority Mayor for Greater Manchester, the same principles should apply given SI 2017/470 provides that the Mayor will exercise control over property, contracts and procurement in relation to PCC functions. The Combined Authority is the body corporate and the legal contracting party in relation to contacts and procurement, however, the Mayor will make or delegate all decisions relating to PCC functions concerning property, contracts and procurement. Suitable arrangements will need to be in place to cover circumstances where contracts incorporate both PCC and non-PCC functions.

9.3.1 Property

The financial impact of plans for the significant rationalisation or expansion of the estate, and provision for maintenance, should be included in the medium term financial strategy. The budget and policing plan issued by the PCC should contain the revenue, capital and funding impacts along with the operational impact of estate changes.

The financial regulations and standing orders relating to contracts should contain provisions for the purchase and disposal of property, including estate, land and other assets.

9.3.2 Contracts and procurement

The standing orders relating to contracts should cover procedures for procurement, tenders and contracts.

The single set of standing orders relating to contracts should include tender thresholds and authorisation levels. These should comply with statutory requirements including EU procurement rules and comply with the statutory regulations for the provision of certain equipment and services for police purposes. Ensuring value for money should be a key consideration.

Further advice on contracting and procurement is set out in CIPFA's Joint Committee Standing Guide to the Commissioning of Local Authority Work and Services.

Regulations about the provision of equipment or services for police purposes may specify framework agreements or other contractual arrangements that must be used (the first such Regulations were The Police Act 1996 (Equipment) Regulations 2011). Where mini-tender exercises are conducted within such frameworks, the basis for acceptance should normally be that the tender provides the best overall value for money.

9.4 Virement

The financial regulations of the PCC should cover the extent to which the Chief Constable may vire money, including for emergency operational requirements, along with arrangements for how this should be controlled and monitored.

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. The thresholds for referrals should be agreed and set out in the financial regulations.

10 Treasury Management

10.1 Banking

The PCC's financial regulations should cover banking arrangements and the Chief Finance Officer of the PCC should be responsible for these. For reasons of value for money and to minimise duplication, it is recommended that the PCC and Chief Constable have shared banking arrangements for their main banking requirements.

The Police Force Chief Finance Officer should ensure that the procedures for any covert accounts required for operational policing purposes are maintained in accordance with clear procedures set by them and approved by the Chief Finance Officer of the PCC. These should be subject to normal internal and external audit requirements.

In respect of the Combined Authority Mayor for Greater Manchester, the Mayor is ultimately responsible for decisions relating to the banking arrangements for the Mayor's PCC functions but may delegate them in practice.

10.2 Loans and investment

The PCC is directly responsible for loans, investments and for borrowing money as the PCC holds the Police Fund. The Chief Constable is able to borrow money, but only with the consent of the PCC and in accordance with the conditions set out in paragraph 7A of Schedule 2 to the Police Reform and Social Responsibility Act 2011. It is recommended that any surplus funds be pooled and invested.

Within the policy agreed locally, the Chief Finance Officer of the PCC should decide what investments are to be made and approve any borrowing³. Through the locally agreed

³ Operating under the Local Government Act 2003.

financial regulations and Scheme of Governance, the daily management of loans and investment work could be undertaken by the Police Force Chief Finance Officer.

In respect of the Combined Authority Mayor for Greater Manchester, the Mayor is ultimately responsible for decisions relating to borrowing in relation to PCC functions but may delegate them in practice. This does not detract from the legal status of the Combined Authority as the borrowing party.

All loans and investments must be arranged in line with best practice as embodied in Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes issued by CIPFA. The Code identifies three key principles:

- Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
- Policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and the responsibility for these lies clearly within their organisations.
- The pursuit of value for money in treasury management and the use of suitable performance measures are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, treasury management policies should reflect this.

All borrowing undertaken must comply with CIPFA's Prudential Code for Capital Finance in Local Authorities. The key objective of the Prudential Code is to provide a framework for local authority investment in capital projects to ensure that:

- Capital expenditure plans are affordable;
- All external borrowing and other long term liabilities are within prudent and sustainable levels; and
- Treasury Management decisions are taken in accordance with professional good practice.

11 Corporate Governance

The PCC and the Chief Constable should ensure that the principles of good governance are embedded in the way in which the PCC and the force operate. This should be set out in an annual governance statement published with the Statement of Accounts.

Best practice corporate governance includes the consideration of internal audit and external audit reports along with reports by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) and other external inspectorates as important tools to establish and refresh governance arrangements and ensure that these are

effective. There is a statutory duty to consider and respond to HMICFRS reports (Police Act 1996 Section 55 (5)), including the requirement for the PCC to publish their response. PCCs should fulfil this requirement when a report either identifies their force or makes recommendations that apply to all forces. There is also a duty to maintain an internal audit function and respond to reports of the external auditor.

Further information can be found in the Delivering Good Governance in Local Government: Framework issued by CIPFA/SOLACE and Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales issued by CIPFA.

11.1 Audit

11.1.1 Internal audit

The PCC and the Chief Constable are required to undertake an effective internal audit of their affairs by the Accounts and Audit Regulations 2015 and the Accounts and Audit (Wales) Regulations 2014. In fulfilling this requirement the PCC and Chief Constable should have regard to the Public Sector Internal Audit Standards (PSIAS) issued by CIPFA as the relevant internal audit standards set for local government and the police. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

In addition to enabling the PCC and the Chief Constable to fulfil their requirements in relation to the relevant Accounts and Audit Regulations, internal audit is needed:

- to help the PCC and the Chief Constable satisfy themselves that effective internal control systems are in place; and
- to provide assurance that financial systems and internal controls are effective and that the Police Fund is managed so as to secure value for money.

PCCs and Chief Constables should look to minimise duplication and bureaucracy and to maximise value for money when designing their internal audit arrangements. PCCs and Chief Constables are therefore recommended to have a shared internal audit service which would cover both bodies. The details of audit arrangements should be agreed locally.

The Head of Internal Audit should draw up the audit plan in consultation with the PCC and the force for consideration by the Audit Committee (see section 11.1.3 of this document). How internal audit reports are to be received, distributed and followed up should be set out in this plan. External auditors should be granted full access to all internal audit reports.

The principles set out above apply in respect of the Combined Authority Mayor for Greater Manchester apart from the fact that duties in respect of internal audit fall to the Combined Authority as body corporate in relation to all of its functions, rather than separately on the Mayor in respect of their PCC functions.

11.1.2 External audit

In England, under the Local Audit and Accountability Act 2014, a relevant principal authority may appoint their own auditor taking advice from an auditor panel or may opt into the national auditor appointment arrangements managed by Public Sector Audit Appointments Ltd (PSAA) which will appoint an auditor for them. PCCs and Chief Constables are relevant principal authorities for the purposes of the Local Audit and Accountability Act 2014. It is a requirement under Schedule 3 to the Local Audit and Accountability Act 2014 that the same auditor be appointed to audit both the PCC's and Chief Constable's accounts.

Where accounts are audited in accordance with the Local Audit and Accountability Act 2014, and the Code of Audit Practice set by the National Audit Office, the appointed auditor is required to satisfy themselves 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;
- the statement of accounts presents a true and fair view; and
- the body whose accounts are being audited has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The relevant regulations for police bodies in England are the Accounts and Audit Regulations 2015, issued by the Secretary of State for Housing, Communities and Local Government. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, define the CIPFA/LASAAC IFRS-based Code of Practice on Local Authority Accounting in the United Kingdom as proper practices for the preparation of accounts.

The principles set out above apply in respect of the Combined Authority Mayor for Greater Manchester apart from the fact that duties in respect of external audit fall to the Combined Authority as body corporate in relation to all of its functions, rather than separately to the Mayor in respect of their PCC functions.

The Auditor General for Wales (the Auditor General) is responsible for the appointment of external auditors to bodies subject to audit under the Public Audit (Wales) Act 2004 (the 2004 Act), including PCCs and Chief Constables. Auditors plan and undertake their audit in accordance with the requirements of the 2004 Act and the Code of Audit Practice issued by the Auditor General.

Section 17 of the 2004 Act requires that the auditor appointed under the 2004 Act must satisfy themselves that:

- the annual accounting statements have been prepared in accordance with the Accounts and Audit (Wales) Regulations;

- they comply with all relevant regulations;
- proper practices have been observed when the accounts were compiled; and
- the body has made proper arrangements to secure effectiveness, efficiency and economy in its use of resources.

The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003, as amended, define the CIPFA/LASAAC IFRS-based Code of Practice on Local Authority Accounting in the United Kingdom as proper practices for the preparation of accounts for police bodies in Wales.

The PCC should use the reports of external auditors to aid them in their monitoring roles. The Chief Finance Officer of the PCC should send the Home Office copies of these reports each year.

11.1.3 Audit committees

The PCC and the Chief Constable should establish an independent Audit Committee. It is recommended that this be a combined body which will consider the internal and external audit reports of both the PCC and the Chief Constable.

The committee will advise the PCC and the Chief Constable according to good governance principles and to adopt appropriate risk management arrangements in accordance with proper practices. In setting up the Audit Committee, the PCC and the Chief Constable should have regard to the CIPFA Position Statement and supporting guidance on Audit Committees.⁴

Membership: the Audit Committee should comprise between three and five members who must all be independent of the PCC and the force.

Terms of Reference: the Audit Committee should establish formal terms of reference, covering its core functions, which should be formally adopted and reviewed on an annual basis. Best practice principles should be considered in determining the activities of the Audit Committee.

PCC and Chief Constable representation: the executive of the PCC and the Force Command Team should be represented at meetings of the Audit Committee.

The principles set out above also apply in respect of the Combined Authority Mayor for Greater Manchester apart from the fact that duties in respect of the Audit Committee fall to the Combined Authority as body corporate in relation to all of its functions, rather than separately on the Mayor in respect of their PCC functions.

⁴ Audit Committees, Practical Guidance for Local Authorities and Police, CIPFA, 2018 and the accompanying Position Statement on Audit Committees in Local Authorities and Police, CIPFA, 2018

12 Value for money

The Chief Constable has a specific statutory duty under section 35 of the Police Reform and Social Responsibility Act 2011 to secure that they and the persons under their direction and control obtain good value for money in exercising their functions. The PCC is required by section 1(8) and 3(8) of the 2011 Act to hold the Chief Constable to account, in particular, for their compliance with this duty.

Achieving value for money bears on nearly all aspects of deployment of public resources: procurement, asset management, disposals, administrative systems and financing arrangements. It means finding solutions which achieve the best mix of quality and effectiveness for least outlay. This may not always mean choosing the immediately cheapest option since, for instance, it may be more cost effective to buy a more reliable service or a better quality asset with lower maintenance costs and a longer operating life. Additional notes on the scope of value for money are included at Annex C of this document.

As set out in section 4 of this document, the Chief Finance Officer of the PCC and the Police Force Chief Finance Officer are required to advise the PCC and the Chief Constable respectively on value for money in relation to all aspects of PCC and force expenditure. HMICFRS and internal and external audit reports should also be taken into account when considering value for money.

13 Transparency

PCCs are required to publish the information that they consider necessary to enable the local public to assess their performance and that of the Chief Constable. In addition they are required to publish particular information specified by the Home Secretary in the Elected Local Policing Bodies (Specific Information) Order 2011 and in regulations issued under section 11 of the Police Reform and Social Responsibility Act 2011.

As set out in section 7.2.1, PCCs should publish their reserves strategy on their website, either as part of their medium term financial strategy or in a separate reserves strategy document.

In the case of Greater Manchester, the Combined Authority Mayor is required to publish information in reports in a manner which is accessible to residents and other stakeholders. The Elected Local Policing Bodies (Specific Information) Order 2011 was modified by SI 2017/470 accordingly.

14 Collaboration

Under sections 22A to 22C of the Police Act 1996 as inserted by section 89 of the Police Reform and Social Responsibility Act 2011, Chief Constables and PCCs have the legal power to enter into collaboration agreements to improve the efficiency or effectiveness of

one or more police forces or PCCs. Under the same provisions, Chief Constables and PCCs have a duty to consider and keep under review collaboration opportunities. Collaboration agreements which cover police functions must be co-signed by the Chief Constable and the PCC. Collaboration agreements must include clear governance structures to monitor the continued effectiveness of the collaboration initiative and must consider doing so jointly with the other signatories.

Duties in relation to collaboration now also exist for the wider emergency services (which include the police, fire and rescue and emergency ambulance services). Introduced by the Policing and Crime Act 2017, these seek to ensure all three services keep collaboration opportunities under consideration and enter into such agreements where in the interests of their efficiency or effectiveness. The duty to collaborate does not apply if the proposed collaboration would have an adverse effect on (a) efficiency or effectiveness of one of the services, (b) public safety, or in the case of an ambulance trust, its non-emergency healthcare provision or the wider NHS.

The duties are broad to allow for local discretion, so that the emergency services themselves can decide how best to collaborate for the benefit of their communities. Collaboration could take many forms, including co-responding to incidents, sharing premises, integrating control rooms or joining up back-office functions.

Guidance on accounting for collaborative arrangements can be found in Accounting for Collaboration in Local Government issued by CIPFA.

15 Partnerships

As set out in section 10 of the Police Reform and Social Responsibility Act 2011, PCCs, in exercising their 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.

Where the PCC acts as a commissioner of services, they 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 un-ringfenced 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.

Section B: Section 4A Fire and Rescue Authorities (Governance model)

16 Context

The Policing and Crime Act 2017 amended the Fire and Rescue Services Act 2004 to enable a PCC to become a fire and rescue authority where a local case is made (the 'Governance' model), as well as to take the additional step to put in place a single employer for police and fire personnel (the 'Single Employer' model).

Where the Home Secretary approves a PCC's proposal to take responsibility for the fire and rescue service(s) in their area, they will make an order (under section 4A of the Fire and Rescue Services Act 2004) which creates a new fire and rescue authority, abolishing the existing one. The new fire and rescue authority is referred to in this document as a section 4A fire and rescue authority (s.4A FRA).

The PCC and s.4A FRA are separate corporations sole and therefore have separate legal identities. Both corporations sole, however, are occupied by the same person, who is directly elected by the electorate in the local area and is known as the Police, Fire and Crime Commissioner (PFCC). This governance arrangement is illustrated in the diagram at Annex B.

The s.4A FRA is required to establish and hold a separate Fire Fund under section 4E of the Fire and Rescue Services Act 2004. This mirrors the existing arrangements for PCCs in relation to their Police Fund. There is no budget flexibility between the Police and Fire Funds.

Section 4A FRAs operate under the same legal framework as existing fire and rescue authorities in relation to the discharge of their functions under the Fire and Rescue Services Act 2004 and other relevant enactments. The Fire and Rescue National Framework for England sets out the priorities and objectives for fire and rescue authorities in England. This applies to all fire and rescue authorities, including s.4A FRAs.

Any joint working between the PCC and s.4A FRA is expected to be governed by a formal agreement such as a contract or underpinned by a memorandum of understanding in accordance with published guidance on collaboration agreements, including the Statutory Guidance for Police Collaboration published by the Home Office. The cost of shared functions should be apportioned between the respective budgets on the basis of agreed recharges in line with the relevant formal agreements.

16.1 The Section 4A FRA (Governance model)

The s.4A FRA is a fire and rescue authority under the Fire and Rescue Services Act 2004. The s.4A FRA has a statutory duty and electoral mandate to ensure an efficient and effective fire and rescue service.

Under the Governance model, the existing relationship between the PCC and Chief Constable in respect of policing functions remains unchanged.

The s.4A FRA is the recipient of fire and rescue funding, including government grants, business rates, precept and other sources of income. Details of the local arrangements relating to income, such as that from charging under section 18A of the Fire and Rescue Services Act 2004, should be set out in local schemes of governance. How this money is allocated is a matter for the s.4A FRA, in accordance with any grant terms. The statutory officers of the s.4A FRA will provide professional advice and recommendations.

The s.4A FRA is required to hold a Fire Fund under section 4E of the Fire and Rescue Services Act 2004. All receipts and expenditure of the s.4A FRA must be paid into and out of that fund, and accounts of payments into and out of the fund must be kept.

Under section 4D(4) of the Fire and Rescue Services Act 2004, the s.4A FRA is required to appoint a person to be responsible for the proper administration of their financial affairs, referred to as the Chief Finance Officer. There is nothing in legislation that prevents the same individual from being the Chief Finance Officer for both the PCC and s.4A FRA, or preventing a s.4A FRA and Chief Constable sharing a Chief Finance Officer. The same individual could also hold the role of Chief Finance Officer for all three corporations sole (PCC, s.4A FRA and Chief Constable). This is a matter for local determination taking any potential conflicts of interest into account.

Amendments to the Local Government and Housing Act 1989 require the s.4A FRA to appoint a Head of Paid Service and Monitoring Officer. There is nothing in legislation that prevents the s.4A FRA from appointing the same individual to perform both functions or for the roles to be shared across policing and fire, but consideration would need to be given to any potential conflicts of interest. The Chief Finance Officer cannot hold the roles of Head of Paid Service or Monitoring Officer.

16.2 The Chief Fire Officer

An order establishing a s.4A FRA may contain provision for the delegation of fire and rescue functions by the s.4A FRA. It is expected that, under the Governance Model, the s.4A FRA would make arrangements to delegate operational functions to an employee, commonly known as the Chief Fire Officer. The Chief Fire Officer is not a separate corporation sole.

This role does not have to be operational but includes managing the personnel, services and equipment secured by the s.4A FRA for the purposes of carrying out functions conferred on it by the Fire and Rescue Services Act 2004, Civil Contingencies Act 2004,

and other enactments. The s.4A FRA must hold this person to account for the exercise of their functions and the functions of persons under their direction and control.

The Chief Fire Officer must, in exercising their functions, have regard to the s.4A FRA's Fire and Rescue Plan. In carrying out their functions fire and rescue authorities must have regard to the Fire and Rescue National Framework for England, and accordingly they should also give due regard to the professional advice of the Chief Fire Officer while developing the Integrated Risk Management Plan and when making decisions affecting the fire and rescue service. The function of preparing and publishing the Integrated Risk Management Plan may be delegated to the Chief Fire Officer.

17 Roles and responsibilities

17.1 Chief Finance Officer of the s.4A FRA

The Chief Finance Officer of the s.4A FRA has a personal fiduciary duty by virtue of their appointment as the person responsible for proper financial administration under the Fire and Rescue Services Act 2004. This includes requirements and formal powers to safeguard lawfulness and propriety in expenditure (section 114 of the Local Government Finance Act 1988, as amended by regulation 6 and the schedule to S.I. 2018/226).

The Chief Finance Officer has a fiduciary duty to the local taxpayer as they have a responsibility for securing the efficient use of public funds (which will include revenue derived from the fire precept).

The statutory responsibilities of the Chief Finance Officer of the s.4A FRA are set out in Part 8 of the Local Government Finance Act 1998. The qualifications set out in section 113 of the Local Government Finance Act 1988 apply to the Chief Finance Officer. The Accounts and Audit Regulations 2015 impose further responsibilities. Taken together, and considered in the context of the Fire and Rescue Services Act 2004, these mean that the Chief Finance Officer of the s.4A FRA is responsible for:

- ensuring that the financial affairs of the s.4A FRA are properly administered and that financial regulations are observed and kept up to date;
- ensuring regularity, propriety, feasibility and value for money in the use of public funds;
- ensuring that the funding required to finance agreed programmes is available from central Government funding, business rates, precept, other contributions and recharges;
- reporting to the s.4A FRA, the Police, Fire and Crime Panel and to the external auditor any unlawful, or potentially unlawful, expenditure by the s.4A FRA or officers of the s.4A FRA;
- reporting to the s.4A FRA, the Police, Fire and Crime Panel and to the external auditor when it appears that expenditure is likely to exceed the resources available to meet that expenditure;
- advising the s.4A FRA on the robustness of the budget and adequacy of financial reserves;

- ensuring production of the statements of accounts of the s.4A FRA and confirming that they present a true and fair view of the financial position of the s.4A FRA at the end of the financial year to which it relates and of the s.4A FRA's income and expenditure for that financial year;
- liaising with the external auditor (see section 25.1.2 of this document);
- advising the s.4A FRA on the application of value for money principles by the fire and rescue service to support the s.4A FRA in delivering efficient and effective financial management; and
- advising, in consultation with the statutory officers, on the safeguarding of assets, including risk management and insurance.

The Chief Finance Officer of the s.4A FRA has certain statutory duties which cannot be delegated, namely, reporting any potentially unlawful decisions by the s.4A FRA on expenditure and preparing each year, in accordance with proper practices in relation to accounts, a statement of the s.4A FRA's accounts.

The Chief Finance Officer of the s.4A FRA is the s.4A FRA's professional adviser on financial matters. To enable them to fulfil these duties and to ensure the s.4A FRA is provided with adequate financial advice, the Chief Finance Officer:

- must be a key member of the s.4A FRA's leadership team, working closely with the Chief Fire Officer, helping the team to develop and implement strategy and to resource and deliver the s.4A FRA'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 s.4A FRA, to ensure that the financial aspects of immediate and longer term implications, opportunities and risks are fully considered, and aligned with the s.4A FRA's financial strategy;
- must lead the promotion and delivery by the s.4A FRA of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively;
- must ensure that the finance function is resourced to be fit for purpose; and
- must be suitably experienced and ensure professional knowledge is kept current through continuing professional development.

Further information can be found in the Statement on the Role of the Chief Financial Officer in Public Service Organisations, the Statement on the Role of the Chief Financial Officer in Local Authorities and the Statement on the Role of CFOs in Policing issued by CIPFA.

18 Schemes of Governance

The s.4A FRA may make arrangements as appropriate for the delegation of certain functions in accordance with the section 4A order that establishes the FRA. The order establishing a s.4A FRA may set out functions that can only be exercised by the s.4A FRA, the functions the s.4A FRA may only delegate to the Deputy Police and Crime Commissioner, and functions the s.4A FRA may only delegate to the Chief Fire Officer. Outside of this, Schemes of Delegation and Governance are for local areas to develop.

A Scheme of Governance should be prepared by the s.4A FRA, advised by the Chief Finance Officer of the s.4A FRA, in consultation with the Chief Fire Officer and statutory officers. This Scheme should be regularly reviewed and amended in consultation with, and on the advice of, these same people as appropriate.

The Scheme should identify those functions which may be exercised by either the s.4A FRA, the Deputy Police and Crime Commissioner or the Chief Fire Officer (as applicable) but which may also be exercised by their staff. It should also set out any constraints on those powers, including requirements to report back or advise the s.4A FRA. Key elements of an integrated Scheme of Governance will be comprised of:

- Scheme(s) of Delegation
- Financial regulations
- Standing Orders relating to contracts

The purpose of this integrated Scheme is to set out the extent of, and any conditions attaching to, the s.4A FRA's delegation of functions. The Scheme also provides an opportunity to set out in more detail, any terms on which the delegated functions will be exercised in order to achieve the objectives set out in the Fire and Rescue Plan and to deliver an efficient and effective fire and rescue service. The Scheme should therefore, as a minimum, set out how:

- the s.4A FRA expects any delegated funds to be applied;
- the s.4A FRA will hold the Chief Fire Officer to account for the day to day management of those funds;
- the Chief Fire Officer will carry out their duty to assist in the exercise of the s.4A FRA's functions (outlined in the service's Integrated Risk Management Plan); and
- the terms on which the s.4A FRA will exercise the functions they retain to aid the delivery of an efficient and effective fire and rescue service.

Further information can be found in *Delivering Good Governance in Local Government: Framework* issued by CIPFA/SOLACE.

19 Financial regulations and standing orders on contracts

The s.4A FRA should have a set of standing orders relating to contracts as well as detailed financial regulations. These should complement the Scheme of Governance. The standing orders and financial regulations should be developed in close consultation with their Chief Finance Officer and Chief Fire Officer.

It is recommended that the financial regulations should:

- ensure that financial dealings are conducted properly and in a way which incorporates recognised best practice (as set out in guidance published by relevant bodies) and which focuses on bringing operational and financial management together with accurate, complete and timely financial information; and
- include sufficient safeguards for the Chief Finance Officer who is responsible for ensuring that the financial affairs are properly administered to discharge properly their statutory obligations.

20 Accounting

20.1 Arrangements for producing accounts

As a separate corporation sole, the s.4A FRA must produce single entity accounts. The responsibilities for producing accounts are set out in section 17.1.

20.2 Reserves and provisions

The s.4A FRA should establish a policy on reserves and provisions in consultation with the Chief Fire Officer. This should have due regard to the need to ensure the ongoing funding of fire and rescue activities and the requirement to meet exceptional or extraordinary fire and rescue operations.

Reserves should be held by the s.4A FRA and managed to balance funding and spending priorities and to manage risks. This should be established as part of the medium term financial planning process (see section 21.1 of this document).

Further guidance can be found in the Local Authority Accounting Panel (LAAP) Bulletin 99 on Local Authority Reserves and Balances issued by CIPFA.

Locally agreed financial regulations and schemes of governance should:

- contain full details of how the reserves and provisions policy will operate locally; and
- make provision for budgets to be carried forward from one financial year to the next.

Guidance regarding the transparency of reserves information for fire and rescue authorities is set out in the Fire and Rescue National Framework for England. This mirrors the guidance for PCCs set out in section 7.2.1 of this document.

21 Strategic and financial planning

21.1 Medium term financial strategy

The s.4A FRA is responsible for effective financial and budget planning for the fire and rescue service. The financial regulations should include the requirement for the s.4A FRA, in consultation with the Chief Fire Officer, to identify and agree a medium term financial strategy which includes funding and spending plans for both revenue and capital. The strategy should have regard to affordability and take into account multiple years, the inter-dependencies of revenue budgets and capital investments, the role of reserves and the consideration of risks. It must also have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities, including the requirement to produce an Annual Capital Strategy. The medium term financial strategy should be aligned with the s.4A FRA's Integrated Risk Management Plan and the Fire and Rescue Plan. A PFCC may issue a joint Police and Fire and Rescue Plan. This does not detract from the requirement to hold separate Police and Fire Funds.

21.2 Budget preparation

The s.4A FRA should consult with the Chief Fire Officer in planning the overall budget for the fire and rescue service. This will take into consideration funding from government and from other sources, and balance the expenditure needs of the fire and rescue service against the levels of local taxation raised through the council tax precept. This should meet the statutory requirements to achieve a balanced budget (Local Government Finance Act 1992) and be completed in accordance with the statutory timeframe.

The impact of the annual budget on the priorities and funding of future years as set out in the Fire and Rescue Plan and the medium term financial strategy (see section 21.1 of this document) should be clearly identified.

As set out in section 96 of the Police Act 1996, as applied by paragraph 2 of Schedule A2 of the Fire and Rescue Services Act 2004, the s.4A FRA must 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.

21.3 Precept

Part 1 of the Local Government Finance Act 1992 sets out the process for issuing precepts. The Policing and Crime Act 2017 (paragraph 71 (2) of Schedule 1) amended section 39 of the Local Government Finance Act 1992 Act to establish the s.4A FRA as a major precepting authority for the purposes of that Act. The s.4A FRA sets the level of the fire precept. The remit of the Police and Crime Panel is extended to include the scrutiny of the s.4A FRA's functions, as set out in the Policing and Crime Act 2017. Where a PCC is also a fire and rescue authority, the panel is known as the Police, Fire and Crime Panel.

22 Financial management

22.1 Day to day financial management

The s.4A FRA is responsible for financial management of the fire and rescue service. The s.4A FRA may make arrangements within the framework of the legislation for the delegation of certain functions, including day to day financial management. This should be set out in local Schemes of Delegation and Governance.

22.2 Asset management

The s.4A FRA owns and funds all assets used by the fire and rescue service. Assets remain either police or fire assets depending on whether they were purchased out of the Police or Fire Fund, or were assets transferred from the previous FRA. The accounting for assets should comply with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom as set out in the financial reporting framework in section 2.2.3 of this document.

22.3 Property, contracts and procurement

The s.4A FRA has overall responsibility for property and contracts but with delegated powers from the s.4A FRA, the responsibility for carrying out the daily administration of property and contracts can be carried out by the Chief Fire Officer or other staff of the s.4A FRA. Any such arrangements should be set out in the Scheme of Governance.

22.3.1 Property

The principles set out in section 9.3.1 also apply in respect of s.4A FRAs.

22.3.2 Contracts and procurement

The principles set out in section 9.3.2 also apply in respect of s.4A FRAs.

22.4 Virement

The financial regulations of the s.4A FRA should cover the extent to which virement is permitted, along with arrangements for how this should be controlled and monitored.

23 Treasury management

23.1 Banking

The s.4A FRA's financial regulations should cover banking arrangements and the Chief Finance Officer of the s.4A FRA should be responsible for these. The s.4A FRA is a separate corporation sole with precept raising and borrowing powers. As such, the s.4A FRA should have separate banking arrangements from the PCC and Chief Constable.

23.2 Loans and investment

The s.4A FRA has the power to borrow money under the Local Government Act 2003. The s.4A FRA holds the Fire Fund and is directly responsible for loans, investments and for borrowing money. Within the policy agreed locally, the Chief Finance Officer of the s.4A FRA should decide what investments are to be made and approve any borrowing.

All loans and investments must be arranged in line with best practice as embodied in Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes issues by CIPFA. All borrowing undertaken must comply with CIPFA's Prudential Code for Capital Finance in Local Authorities. Further information on this guidance is included at section 10.2.

24 Corporate governance

The s.4A FRA should ensure that the principles of good governance are embedded in the way in which the fire and rescue service operates. This should be set out in an annual governance statement published with the Statement of Accounts, in accordance with the Delivering Good Governance in Local Government: Framework issued by CIPFA/SOLACE.

Best practice corporate governance includes the consideration of internal audit and external audit reports along with reports by HMICFRS as important tools to establish and refresh governance arrangements and ensure that these are effective. The Fire and Rescue National Framework for England requires fire and rescue authorities to give due regard to reports and recommendations made by HMICFRS and – if recommendations are made – prepare, update and regularly publish an action plan detailing how the recommendations are being actioned. If the fire and rescue authority does not propose to undertake any action as a result of a recommendation, reasons for this should be given. There is also a duty to maintain an internal audit function and respond to reports of the external auditor.

24.1 Audit

24.1.1 Internal audit

The s.4A FRA is required to undertake an effective internal audit of their affairs by the Accounts and Audit Regulations 2015. The principles set out in section 11.1.1 also apply in respect of s.4A FRAs.

24.1.2 External audit

A s.4A FRA is classified as an auditable body listed in Schedule 2 of the Local Audit and Accountability Act 2014 and is therefore subject to external audit. The principles set out in section 11.1.2 also apply in respect of s.4A FRAs. There is no requirement for the same auditor to be appointed to audit both the PCC and s.4A FRA, though this should be considered for value for money reasons.

24.1.3 Audit committees

The s.4A FRA should establish an independent Audit Committee. It is a matter for local determination whether this is a combined body with that of the PCC and Chief Constable or a separate body. The principles set out in section 11.1.3 apply in either case.

25 Value for Money

Section 4F of the Fire and Rescue Services Act 2004 places a duty on s.4A FRAs to exercise their functions efficiently and effectively. The s.4A FRA will hold the Chief Fire Officer to account for the exercise of their functions and the functions of persons under their direction and control. A s.4A FRA is not a best value authority under the Local Government Act 1999.

Achieving value for money bears on nearly all aspects of deployment of public resources: procurement, asset management, disposals, administrative systems and financing arrangements. It means finding solutions which achieve the best mix of quality and effectiveness for least outlay. This may not always mean choosing the immediately cheapest option since, for instance, it may be more cost effective to buy a more reliable service or a better quality asset with lower maintenance costs and a longer operating life. Additional notes on the scope of value for money are included at Annex C of this document.

As set out in section 17.1 of this document, the Chief Finance Officer of the s.4A FRA is required to advise the s.4A FRA on value for money in relation to all aspects of expenditure. HMICFRS and internal and external audit reports should also be taken into account when considering value for money.

26 Transparency

s.4A FRAs must comply with the transparency requirements of section 11 of the Police Reform and Social Responsibility Act 2011 and the Elected Local Policing Bodies (Specified Information) Order 2011 as modified by paragraph 4 of Schedule A2 to the Fire and Rescue Services Act 2004 and Part 6 and paragraph 1 of Schedule 1 to S.I 2017/863. The Local Government Transparency Code does not apply to s.4A FRAs.

Further guidance on transparency requirements for fire and rescue authorities is included in the Fire and Rescue National Framework for England.

27 Collaboration

The Policing and Crime Act 2017 introduced a duty to collaborate on the police, fire and rescue and emergency ambulance services. Further information on this duty is set out in section 14.

28 Partnerships

Subject to the constraints that may be placed on individual funding streams, s.4A FRAs are free to pool funding as they and their local partners see fit. s.4A FRAs can enter into any local contract for services, individually or collectively with other local partners, including non-fire bodies.

When the s.4A FRA acts as a commissioner of services, they will need to agree the shared priorities and outcomes expected to be delivered through the contract or grant agreement with each provider.

29 Powers of competence and trading

s.4A FRAs have the same powers of competence as standalone fire and rescue authorities. Under the Fire and Rescue Services Act 2004 fire and rescue authorities have a general power to do anything they consider appropriate for the purposes of carrying out their functions. This includes the power to enter into commercial arrangements and exercise powers indirectly incidental to their functions.

Fire and rescue authorities have the power to trade and make a profit but they must ensure that their commercial activities are performed in accordance with the requirements of the Local Government Act 2003, the Fire and Rescue Services Act 2004 (as amended by the Localism Act 2011), the Local Government Order 2009 and the Local Authorities (Goods and Services) Act 1970. Fire and rescue authorities must also ensure that such commercial activities are exercised through a company within the meaning of Part 5 of the Local Government and Housing Act 1989.

A trading company is a separate legal entity and the fire and rescue authority and officers should at all times be aware of potential conflicts of interest when carrying out their roles for their authorities, or when acting as directors of trading companies.

Fire and rescue authorities must ensure any actions taken in respect of their trading companies are considered against the requirements of competition law. Any financial assistance - in cash or in kind - given by an authority that establishes or participates in it, should be for a limited period, set against the expectation of later returns, and repaid by those returns. Any assistance should be provided under a formal agreement with the company and must be entered into for a commercial purpose. Before entering into such an agreement, the fire and rescue authority should satisfy itself that it will achieve its objective, and the company should satisfy itself that it will meet its objective in terms of its business plan. The parties should consider any State Aid implications and obtain their own expert advice where necessary.

Section C: Section 4A Fire and Rescue Authorities (Single Employer model)

30 Context

A PFCC is able to take the additional step of putting in place a single employer for fire and police personnel, subject to a proposal being submitted to the Secretary of State and meeting the statutory tests. A PCC may also make a proposal to become a s.4A FRA and move straight to the Single Employer model. Under section 4H of the Fire and Rescue Services Act 2004, the Secretary of State can by order make provision for the delegation of the functions of a fire and rescue authority in a local area to a “Chief Officer” (described as a Chief Constable in legislation), who will employ both police and fire personnel (see diagram at Annex B). The order establishing a s.4A FRA under the Single Employer model will include which functions of the s.4A FRA can or cannot be delegated to the Chief Officer, and can or cannot be sub-delegated by the Chief Officer to their fire or police personnel. The role of Chief Officer can be held by someone with senior expertise in either the police or fire service, and brings together the roles of Chief Constable and Chief Fire Officer.

The existing legal relationship between the PCC and Chief Officer in respect of policing functions will remain unchanged. Where the Chief Officer has fire functions delegated to them by a s.4A FRA, they will be accountable to the s.4A FRA for the proper exercise of those functions, and for the delivery of an efficient and effective service, management of resources and expenditure.

Under the Single Employer model, the arrangement between the PCC and s.4A FRA regarding the policing and fire functions exercised by, and delegated to, the Chief Officer should be set out in a formal agreement between the two bodies. The agreement should include how costs will be shared between the police and fire budgets where the Chief Officer is delivering shared functions, such as back office functions. The allocation of costs will be for local agreement but value for money considerations should mean that it is subject to an overall test of reasonableness.

The agreement should, at a minimum, set out how:

- day to day budgets will be managed;
- responsibilities for operational decision making will be shared;
- management of staff will be conducted; and
- costs of shared services will be allocated between the police and fire budgets.

The principles set out in Section B in relation to the Governance model also apply under the Single Employer model. The role of Chief Fire Officer, however, does not exist

separately under the Single Employer model, where fire functions are delegated to a Chief Officer as described above. The additional guidance below is specific to the Single Employer model.

31 Chief Finance Officer of the Chief Officer

Under section 41(8) of the Fire and Rescue Services Act 2004, the Chief Finance Officer of the Chief Officer covers both the Chief Officer's policing and fire functions. The Chief Finance Officer should ensure that the separate police and fire budgets are maintained and should report to the PCC and s.4A respectively on their police and fire expenditure.

The duties of the Chief Finance Officer are as set out in section 4.2 of this document. The Chief Finance Officer of the Chief Officer should seek to work cooperatively with the Chief Finance Officer of the s.4A FRA, in the same way as with the Chief Finance Officer of the PCC. Under the Single Employer model, it is essential that the three Chief Finance Officers work effectively and collaboratively together following the principles set out in section 4.

32 Schemes of Governance

Under the Single Employer model, the Chief Officer is a separate corporation sole. The s.4A FRA delegates fire functions to the Chief Officer and details of this delegation are expected to be set out in a Scheme of Delegation as part of a Scheme of Governance. An order establishing a s.4A FRA will set out certain delegation restrictions. Outside of this, Schemes of Delegation and Governance will be for local areas to develop.

The Scheme of Governance should be prepared by the s.4A FRA, advised by the Chief Finance Officer of the s.4A FRA in consultation with the Chief Officer and the Chief Officer's Chief Finance Officer, the Head of Paid Service and the Monitoring Officer. This Scheme should be regularly reviewed and amended in consultation with, and on the advice of, these same people as appropriate.

The purpose of this integrated Scheme is to set out the extent of, and any conditions attaching to, the s.4A FRA's delegation of powers to the Chief Officer. Where the s.4A FRA has delegated fire functions to the Chief Officer, the nature of the delegation will permit the transfer of powers and duties associated with those functions.

The Scheme also provides an opportunity to set out in more detail any terms on which the delegated functions will be exercised in order to achieve the objectives set out in the Fire and Rescue Plan and to deliver an efficient and effective fire and rescue service. The Scheme should therefore, as a minimum, set out how:

- the s.4A FRA expects any funds provided to the Chief Officer to be applied;
- the s.4A FRA will hold the Chief Officer to account for the day to day management of those funds;

- the Chief Officer will carry out their duty to assist in the exercise of the s.4A FRA's functions;
- the s.4A FRA will exercise their power to delegate the exercise of their functions to their own staff; and
- the terms on which the s.4A FRA will exercise the functions they retain to aid the delivery of an efficient and effective fire and rescue service.

Further information can be found in Delivering Good Governance in Local Government: Framework issued by CIPFA/SOLACE.

33 Financial regulations and standing orders on contracts

Each s.4A FRA should have a set of standing orders relating to contracts as well as detailed financial regulations. These should complement the Scheme of Governance. The standing orders and financial regulations together govern the relationship between the s.4A FRA and the Chief Officer in financial matters and should be developed in close consultation with the Chief Finance Officers and Chief Officer. This could be a single set of joint financial regulations signed independently by each corporation sole.

It is recommended that the financial regulations should:

- ensure that the financial dealings of the relevant bodies are conducted properly and in a way which incorporates recognised best practice (as set out in guidance published by relevant bodies) and which focuses on bringing operational and financial management together with accurate, complete and timely financial information; and
- include sufficient safeguards for the Chief Finance Officers who are responsible for ensuring that the financial affairs of the relevant organisation are properly administered to discharge properly their statutory obligations.

34 Accounting

34.1 Arrangements for producing accounts

In the case of the Single Employer model, the Chief Finance Officer of the Chief Officer is responsible for producing the Chief Officer's accounts. All expenditure on shared police and fire functions must be apportioned between the police and fire budgets on the basis of agreed recharges in line with a service level agreement. The Chief Officer's accounts must separately identify police and fire expenditure, assets and liabilities.

The Chief Finance Officer of the Chief Officer should report to the PCC and to the s.4A FRA respectively on their police and fire expenditure. The PCC and s.4A FRA should each include their share of the Chief Officer's results in their own single entity accounts following the principles of accounting for joint arrangements. Any legislative requirements in this respect may be included in legislation implementing the Single Employer model.

35 Budget preparation

The PCC and s.4A FRA should consult with the Chief Officer in planning the annual police and fire budgets respectively. Both budgets should meet the statutory requirements to achieve a balanced budget (Local Governance Finance Act 1992) and be completed within the statutory timeframe. There is no budget flexibility between the Police and Fire Funds. The Chief Officer will hold separate police and fire budgets. All expenditure on shared functions should be apportioned between the police and fire budgets on the basis of agreed recharges in line with relevant formal agreements and contracts.

36 Financial management

36.1 Day to day financial management

The Fire Fund must be maintained by the s.4A FRA, who transfers funding to the Chief Officer to enable them to carry out their delegated fire functions.

To help ensure the effective delivery of fire and rescue services and to enable the Chief Officer to have impartial direction and control of all firefighters and fire staff, the s.4A FRA should delegate day to day responsibility for financial management of the fire and rescue service to the Chief Officer. This should be set out within the framework of the agreed fire budget allocation and levels of authorisation issued by the s.4A FRA.

The Chief Officer must ensure that the financial management of their allocated fire budget remains consistent with the objectives and conditions set by the s.4A FRA. The Chief Officer will discharge this through their Chief Finance Officer who will lead on financial management.

When the Chief Officer intends to make significant change of policy or seeks to move significant sums within their fire budget then the approval of the s.4A FRA should be sought. Full details should be set out in locally agreed financial regulations.

36.2 Asset management

Policing assets owned by the Chief Officer should be separately identified in the Chief Officer's asset register and in their accounts. Similarly, fire assets owned by the Chief Officer should be separately identified in the asset register and in the accounts. The Chief Officer can acquire police and fire assets, provided they have the relevant consent from the PCC and s.4A FRA. Such assets should be designated as police or fire assets depending on how they are funded. Shared assets that are funded from both the Police and Fire Funds should be designated accordingly.

36.3 Property, contracts and procurement

The s.4A FRA has overall responsibility for property and contracts relating to the fire and rescue service but with consent from the s.4A FRA, the responsibility for carrying out the daily administration of property and contracts can be carried out by the Chief Officer or

staff of the Chief Officer. In addition, with consent from the s.4A FRA, Chief Officers can enter into contracts in relation to the fire and rescue service. Any such arrangements should be set out in the Scheme of Governance.

36.4 Virement

Under the Single Employer model, the Chief Officer is a separate corporation sole. The financial regulations of the s.4A FRA should cover the extent to which the Chief Officer may vire fire money. The Chief Officer should only be required to refer back to the s.4A FRA when virement would incur substantive changes in the policy of the s.4A FRA or where a virement might create a future year or continuing commitment. The thresholds for referrals should be agreed and set out in the financial regulations.

37 Treasury Management

37.1 Banking

Under the Single Employer model, the s.4A FRA should have separate banking arrangements from the PCC and Chief Officer.

37.2 Loans and investment

The Scheme of Governance and financial regulations should make clear to what extent investment and borrowing decisions are delegated to the Chief Officer.

38 Corporate governance

38.1 Audit

38.1.1 External Audit

The principles set out at 11.1.2 apply to the appointment of the external auditors. There is no requirement for the same auditor to be appointed to audit both the PCC and s.4A FRA, though this should be considered for value for money reasons. The Chief Officer may not appoint an auditor separately from the PCC.

39 Value for Money

Section 4J of the Fire and Rescue Services Act 2004 requires a Chief Officer to whom fire and rescue functions have been delegated to secure good value for money in the exercise of their fire and rescue functions. They are also under a duty to ensure that those persons to whom they sub-delegate functions obtain good value for money in exercising those functions.

Annex A: Additional detail on income, pensions and pay

Income

(a) Gifts, loans, sponsorships and trust funds

A PCC may decide to accept gifts of money, gifts or loans of other property 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 force activities. Gifts, loans and sponsorship are particularly suitable for multi-agency work such as crime prevention, community relations work, and victim support schemes. However, it is not acceptable to receive a gift that is linked to a police investigation; for example a force should not accept a share of compensation that resulted (either directly or indirectly) from an investigation undertaken by the force.

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. The financial regulations should include further details on the conditions in which gifts, loans and sponsorship are acceptable and the ways in which these would be administered.

The financial regulations should include detailed arrangements governing authorisation, setup, management and governance of any trust funds administered by the PCC or the Chief Constable as well as any charities or social enterprises linked to either the PCC or Chief Constable.

Fire and rescue authorities have a general power under section 5A of the Fire and Rescue Services Act 2004 (inserted by section 9 of the Localism Act 2011) to do anything they consider appropriate for the purposes of carrying out their functions. The principles set out above also apply in respect of a s.4A FRA.

(b) Bribery Act 2010

The Bribery Act 2010 came into force on 1 July 2011. Under the Act there are a range of issues and offences for organisations to consider including a duty for organisations to put procedures in place to prevent persons associated with them from participating in bribing. PCCs, Chief Constables, s.4A FRAs and Chief Officers are responsible for ensuring that adequate procedures exist to comply with the requirements of the Act.

(c) Income generation

The PCC and Chief Constable should adopt the NPCC national charging policies and national guidance when applying charges under section 25 of the Police Act 1996. It should keep in mind that the purpose of charging for special services is to ensure that, wherever appropriate, those using the services pay for them.

PCCs 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 PCCs should ensure that ongoing resource requirements are not dependant on uncertain or volatile income sources and should have due regard to sustainable and future year service delivery.

When specifying resource requirements the Chief Constable will identify the expected income from charging. The Chief Constable should adopt NPCC charging policies in respect of mutual aid.

Fire and rescue authorities have the power to charge for services as set out in section 18A of the Fire and Rescue Service Act 2004. Fire and rescue authorities must ensure that income from charges does not exceed the cost to the authority of undertaking the activities for which they levy a charge, and the fire and rescue authority must consult (with persons it considers appropriate) before levying a charge. Section 18B of the Fire and Rescue Services Act 2004 sets out the activities for which fire and rescue authorities cannot levy a charge – these include; charging for extinguishing fires or protecting life and property in the event of fires (unless these are at or under the sea), for providing emergency medical assistance, for rescuing individuals or protecting individuals from serious harm in the event of an emergency and for action taken in response to emergencies of widespread significance, and activities undertaken as a result of severe weather and as a result of road traffic accidents.

Section 18C of the Fire and Rescue Services Act sets out circumstances where fire and rescue authorities can charge for attendance at fire, for example where they are at sea and in cases where there are persistent false alarms at non-domestic premises as a result of faulty equipment.

Pensions

(a) Police officer pensions

Police officer pensions are governed by the Police Pensions Act 1976 (as amended) and the Public Service Pensions Act 2013. There are also regulations which govern each pension scheme (the 1987 Police Pension Regulations, the 2006 Police Pension Regulations and the 2015 Police Pension Regulations). Of particular relevance to financial management are the Police Pension Fund Regulations 2007. The Chief Constable is the Scheme Manager and is responsible for ensuring good administration of the pension schemes and the appropriate maintenance and provision of the relevant accounts. The

role of the PCC in the pension schemes is limited to specific decisions and discretions concerning the pension and retirement of the Chief Constable, and discretion on the application of pension forfeiture for all police officers. The Home Office is responsible for the maintenance of the regulations.

The Chief Constable is responsible for ensuring that accurate and up to date information is provided to the Home Office on the force's pensions account and future forecasts for police pensions income and expenditure. This information is sought on a regular basis, following an annual cycle. Information should be provided in line with obligations set out in the relevant regulations, in the form and at the time which is specified in relevant requests from the Home Office. Information provided to the Home Office should also be approved by the PCC's Chief Finance Officer.

The Chief Constable is responsible for taking decisions on voluntary exits within their force and should do so in accordance with the provisions set out in the relevant pension scheme regulations and determinations, whilst also adhering to the spirit of Cabinet Office guidance on severance payments.

(b) Police staff pensions

Outside London the pensions arrangements of police staff of the PCC and of the Chief Constable are provided through the Local Government Pension Scheme Regulations 2013 under section 7 and 12 of, and Schedule 3 to, the Superannuation Act 1972. The Ministry for Housing, Communities and Local Government is Scheme Manager and responsible for the maintenance of these regulations. The Local Government Pension Scheme (LGPS) is administered at a local level in England and Wales by administering authorities which are responsible for individual funds. Each administering authority must prepare a pension fund annual report including information on the management and financial performance of each of the pension funds maintained by the authority and the fund account and net asset statement. Employer contribution rates will be set by the administering authority every three years after the funds are valued. Employer contributions are required to be set at a level that guarantees the solvency of the pension fund and long-term cost efficiency of the scheme.

As employers in the LGPS, the Chief Constable and the PCC are each responsible for the regular payment of employee and employer contributions to the pension fund, the provision of data in respect of each of their LGPS members to the relevant fund administrator, and the exercise of discretions concerning the pensions entitlements of their employees. Further information can be found in a Local Government Association guide⁵.

In respect of Greater Manchester, staff wholly or partly engaged on PCC functions are employed by the Combined Authority and covered by its policies and procedures in relation to the LGPS. Staff seconded from the police force to work for the Mayor in relation to the Mayor's PCC functions will be employed by the Chief Constable.

⁵ <http://www.lgpsregs.org/resources/guidesetc.php>

The pensions arrangements of civilian staff of the Mayor's Office for Policing and Crime and of the Commissioner of Police of the Metropolis are provided through the Civil Service Pension schemes. Dependent on a number of factors, an individual will either be a member of one of the sections of the Principle Civil Service Pension Scheme (PCSPS) or Alpha. The PCSPS is a statutory scheme established by rules made under section 1 of the Superannuation Act 1972 and Alpha is established by the Public Service (Civil Servants and Others) Pensions Regulations 2014 which are made under section 1 of the Public Service Pensions Act 2013.

c) Firefighter pensions

Firefighter pensions are governed by the Fire Services Acts 1947 and 1959, the Fire and Rescue Services Act 2004 and the Public Service Pensions Act 2013. There are also regulations which govern each pension scheme (the Firemen's Pension Scheme Order 1992, the Firefighters' Pension Scheme Order 2006 and the Firefighters' Pension Scheme Regulations 2014). The Home Office is responsible for the maintenance of the regulations. The current funding arrangements for firefighters' pensions were established in 2006 and are set out in the aforementioned regulations.

The fire and rescue authority, as Scheme Manager, is responsible for ensuring compliance with scheme regulations and other legislation, good administration of the pension schemes and the appropriate maintenance and provision of the relevant accounts. This includes responsibility for ensuring that accurate and up to date information is provided to the Home Office on the service's pensions account and future forecasts for firefighters' pensions income and expenditure. This information is sought on a regular basis, as part of an annual cycle. Information should be provided in line with obligations set out in the relevant regulations, in the form and at the time which is specified in relevant requests from the Home Office.

Under the Governance Model, the s.4A FRA is the fire and rescue authority, and therefore is responsible for compliance with all of the duties of the Scheme Manager.

Under the Single Employer Model the Chief Officer is treated as the fire and rescue authority for the purposes of the firefighters' pension schemes, and therefore is responsible for compliance with all of the duties of the Scheme Manager.

d) Fire staff pensions

The pensions arrangements of support staff and control room staff of the s.4A FRA and of the Chief Officer are provided through the Local Government Pension Scheme (LGPS), which is governed by the Local Government Pension Scheme Regulations 2013 under section 7 and 12 of, and Schedule 3 to, the Superannuation Act 1972. The Ministry of Housing, Communities and Local Government is Scheme Manager and responsible for the maintenance of these regulations. The LGPS is administered at a local level in England and Wales by administering authorities which are responsible for individual funds. Each administering authority must prepare a pension fund annual report including information on the management and financial performance of each of the pension funds maintained by

the authority and the fund account and net asset statement. Employer contribution rates will be set by the administering authority every three years after the funds are valued. Employer contributions are required to be set at a level that guarantees the solvency of the pension fund and long-term cost efficiency of the scheme.

The s.4A FRA will be an employer within their administering authority's LGPS fund. The role of the s.4A FRA in the LGPS pension schemes will be to make the regular payment of employee and employer contributions to the pension fund, to provide data in respect of each of their LGPS members to the relevant fund administrator, and to exercise employer discretions concerning the pensions entitlements of their employees. Further information can be found in a Local Government Association guide⁶.

Under the Single Employer model, the Chief Officer (Chief Constable) is a scheme employer for the LGPS.

Pay

(a) Police officer pay

Pay and conditions for police officers are set out in the Police Regulations 2003 and in various determinations made under them. This includes police officers' pay, allowances, hours of duty, leave, and related matters.

The Police Remuneration Review Body provides independent recommendations to the Home Secretary on pay and conditions for police officers at or below the rank of chief superintendent. The Senior Salaries Review Body provides independent advice on the pay of chief police officers.

There is a requirement for the remuneration of senior police officers to be published by PCCs and the Combined Authority Mayor for Greater Manchester under the Accounts and Audit Regulations 2015 and the Accounts and Audit (Wales) Regulations 2014.

(b) Police staff pay

Police staff are employed locally and their pay and conditions of service are agreed at force level. The Police Staff Council (PSC) negotiates national agreements on pay and conditions of service for police staff in England and Wales, but agreements are only binding if forces agree to incorporate them within the contracts of employment of their employees. The national agreements for police staff can be found in the PSC handbook.

(c) Firefighter pay

Firefighter pay is negotiated annually by the National Joint Council for Local Authority Fire and Rescue Services (NJC). The NJC's principal role is to reach agreement on a national

⁶ <http://www.lgpsregs.org/resources/guidesetc.php>

framework of pay and conditions for local applications throughout the fire and rescue service in the United Kingdom. The rates of pay for the training, development and competent stages for each role are set out in circulars issued by the NJC.

There is a similar arrangement for the negotiation of fire officer pay through the National Joint Council for Brigade Managers of Fire and Rescue Services.

Individual fire and rescue services may also offer additional allowances above basic pay for specific roles and additional responsibilities that are required locally.

There is a requirement for the remuneration of Chief Fire Officers to be published under the Localism Act 2011.

d) Fire staff pay

For non-operational fire staff, pay is negotiated by the National Joint Council (NJC) for local government services. Individual fire and rescue services may also offer additional allowances above basic pay for specific roles and additional responsibilities that are required locally.

Annex B: Diagram – Section 4A FRA Governance and Single Employer models

Figure 1: Governance model

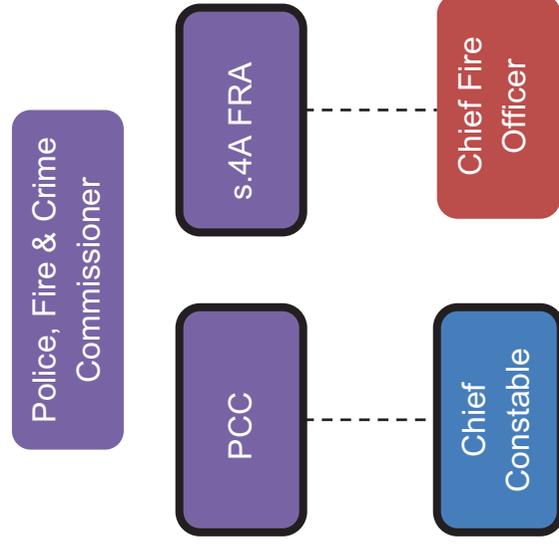
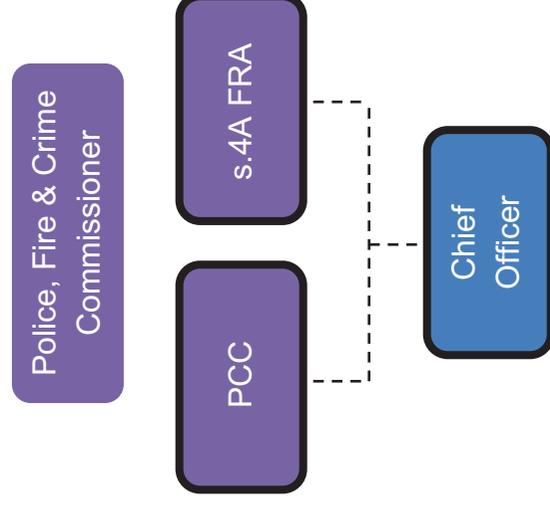


Figure 2: Single Employer model



Denotes corporation sole

- Where the Home Secretary approves a PCC's proposal to take responsibility for the fire and rescue service(s) in their area, the existing fire and rescue authority is abolished and a new type of fire and rescue authority established, referred to in this document as a section 4A fire and rescue authority (s.4A FRA).
- The PCC and s.4A FRA are separate corporations sole. Both corporations sole, however, are occupied by the same person, who is directly elected by the electorate in the local area and known as the Police, Fire and Crime Commissioner (PFCC).
- The existing relationship between the PCC and Chief Constable in respect of policing functions remains unchanged.
- In the Single Employer model, the PCC and s.4A FRA are able to delegate both fire and rescue functions to a Chief Officer, who will employ both police and fire personnel. The role of Chief Officer can be held by someone with senior expertise in either the police or fire service.
- The Chief Officer is accountable to the PCC and s.4A FRA respectively for their policing and fire responsibilities (though in practice this will be the same individual who occupies both corporations sole).
- Unlike in the Governance model, the person responsible for managing the fire and rescue service is a separate corporation sole.

Annex C: Value for Money

*Managing Public Money*⁷ defines value for money as: the process under which an organisation's procurement, projects and processes are systematically evaluated and assessed to provide confidence about suitability, effectiveness, prudence, quality, value and avoidance of error and other waste, judged for the Exchequer as a whole.

This places a responsibility on the PCC, the Force and the s.4A FRA to put in place proper arrangements to secure value for money in its use of resources and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them. Such corporate performance management and financial management arrangements form a key part of the system of internal control. The PCC, the Force and the s.4A FRA should be able to satisfy the following principles which are set out in HMT's Managing Public Money guidance:

- i. The process for allocating resources against desired outcomes is transparent and based on clear, quantified evidence;
- ii. Risks to performance, improving processes and productivity are assessed. This is used to target improvement activity or develop contingency plans;
- iii. Services and support functions are tested against appropriate benchmarks to identify and tackle excessive costs or weak performance;
- iv. Public demand for services is understood and quantified, and informs deployment of staff;
- v. Staff are used efficiently. Programmes to minimise waste and increase employee engagement are in place to support this (most likely through Continuous Improvement);
- vi. End-to-end operational processes are focused on delivering for the customer, with data used to demonstrate this. Processes are streamlined, unbureaucratic and efficient;
- vii. Goods and services are procured and supply contracts are then managed in a way that maximises value, including through taking advantage of central or collaborative procurement where appropriate;
- viii. Data is fit for its intended purpose and used and published routinely, providing clear line of sight between consumption of resources, production of outputs and realisation of outcomes.

⁷https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/454191/Managing_Public_Money_AA_v2_-jan15.pdf

Annex D: Glossary

Chief Constable:

This term is used to describe both Chief Constables appointed under section 2 of the Police Reform and Social Responsibility Act 2011 and the Commissioner of the Metropolis appointed under section 4 of that Act. Section 101 of the 1996 Act includes the Commissioner of Police for the City of London in the definition of a Chief Constable; however, this Code is not intended to apply to the City of London police force.

Chief Executive:

This term is used to describe the officer appointed as the head of the PCC's staff with responsibility for its general administration. This appointment is made under Schedule 1 (or Schedule 3) to the Police Reform and Social Responsibility Act 2011.

For the purposes of section 5(1) of the Local Government and Housing Act 1989 (as amended by Police Reform and Social Responsibility Act 2011) the Chief Executive is designated as the body's Monitoring Officer with responsibility for ensuring the legality of the actions of the policing body and its officers. In respect of the Combined Authority Mayor for Greater Manchester, the Monitoring Officer of the Combined Authority performs these duties in relation to the Mayor's PCC functions.

Chief Fire Officer:

This term is used to describe the person appointed by a s.4A FRA under the Governance model to manage the fire and rescue service.

Chief Officer:

Under the Single Employer Model, the PCC and s.4A FRA are able to delegate fire and rescue functions to a Chief Officer (described as a Chief Constable in legislation), who employs both police and fire personnel. The role can be held by someone with senior expertise in either the police or fire service, and brings together the roles of Chief Constable and Chief Fire Officer.

Fire Fund:

The fund held by the s.4A FRA which includes all receipts and expenditure of the s.4A FRA.

Fire and Rescue Plan:

A document which is prepared and published by a s.4A FRA in accordance with the Fire and Rescue National Framework for England, and sets out the authority's strategic vision

and priorities and objectives, for the period covered by the document, in connection with the discharge of the authority's functions.

Force:

This term refers to all those working for the Chief Constable. It covers both police officers and civilian staff. This use goes beyond the legal definition of a force (which applies only to those with the status of a constable) but is employed in this document for the sake of brevity and simplicity.

Integrated Risk Management Plan:

A plan prepared and published by a fire and rescue authority in accordance with the requirements of the Fire and Rescue National Framework for England. It sets out for the period covered by the document an assessment of all foreseeable fire and rescue related risks that could affect the area of the authority; and proposals, including about the allocation of resources, for the mitigation of those risks.

Combined Authority Mayor for Greater Manchester:

This term is used to describe the directly elected mayor of the Greater Manchester Combined Authority, who exercises the functions of a PCC as a result of SI 2017/470.

Mayor's Office for Policing and Crime (MOPAC):

This term refers to the office held by the Mayor of London giving the Mayor responsibility for the totality of policing within the Metropolitan Police District.

Police and Crime Commissioner (PCC):

This term refers to the directly elected individual within each force area in England and Wales with the exception of the City of London and the metropolitan police district with responsibility for the totality of policing within their force area. Unless specifically stated, a reference in the FMCP to a PCC includes MOPAC and the Combined Authority Mayor for Greater Manchester.

Police and Crime Plan:

A plan prepared and published by a PCC in accordance with the requirements of the Police Reform and Social Responsibility Act 2011. The plan covers areas including the PCC's police and crime reduction objectives and the policing which the Chief Constable is to provide for the police area.

Police, Fire and Crime Commissioner (PFCC):

The title of the directly elected individual with responsibility for the police and fire and rescue service in a local area.

Section 4A Fire and Rescue Authority (s.4A FRA):

This term refers to a fire and rescue authority created under section 4A of the Fire and Rescue Services Act 2004. Where the Home Secretary approves a PCC's proposal to take responsibility for the fire and rescue service(s) in their area, the existing fire and rescue authority will be abolished and a new type of fire and rescue authority established, referred to in this document as a section 4A fire and rescue authority (s.4A FRA).

Police and Crime Panel:

This term refers to the body established in each police area (other than the metropolitan police district) to support the effective exercise of the function of the Police and Crime Commissioner. In London, the London Assembly must arrange for the functions of a Police and Crime Panel to be discharged on its behalf by a particular committee of the Assembly.

Police, Fire and Crime Panel:

Where a PCC takes on responsibility for fire, the remit of the associated Police and Crime Panel will be extended to include scrutiny of the s.4A FRA's fire and rescue functions. The panel will be known as the Police, Fire and Crime Panel.

Police Fund:

The fund held by the PCC which includes all receipts and expenditure of the PCC and Chief Constable.

Policing Protocol:

The Policing Protocol is a document issued by the Home Secretary by means of the Policing Protocol Order 2011 which sets out to all PCCs, Chief Constables, Police and Crime Panels and the London Assembly Police and Crime Panel how their functions will be exercised in relation to each other.

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