



Scheme of Devolved Financial Management

Report of the National Police Chiefs' Council



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1.0 INTRODUCTION

- 1.1** The NPCC derives its budget from the contributions of its funding parties. It is a collaborated body under S.22A of the Police Act and is not a legal entity in its own right. This affects the NPCC's requirement for, and approach to, financial management.
- 1.2** As referred to in the S.22A, an agreement by the collaborative funding parties gave provision for a "host force" who would be responsible for employing staff, holding assets, property, contracts, finance, and ICT to resource the NPCC.
- 1.3** At present the Metropolitan Police Service (and its corresponding policing body MOPAC) is the incumbent host force.
- 1.4** The Scheme of Devolved Financial Management (known throughout this document as 'the Scheme'), is intended to enable the members of the NPCC Management Team (Accountable Officers) and their staff to manage budgets for which they are responsible.
- 1.5** These Instructions provide policy directives as to how the NPCC must account for all its finances and act in an honest and open manner to ensure the proper financial administration of the NPCC. They apply to every officer and member of police staff and anyone acting on their behalf.
- 1.6** This **Scheme of Devolved Financial Management** expands on the NPCC's host force's (presently the MPS) Financial Instructions and sets out a framework reflective of the environment in which NPCC operate and its size.
- 1.7** In the case of any conflict between the provisions of this scheme and that of the host force instructions, then the provisions of the host force's instructions will prevail. This is the case to ensure adherence with the host force's legally outlined powers.
- 1.8** Section 2 of the Scheme describes the **roles and responsibilities** of the members of the NPCC Management Team accountable to the Chair of NPCC for the total revenue budget allocated to their services each year and the requirements when these budgets are further devolved to budget-holders under their direction. Individual Budget-holders are responsible for continuously monitoring income and expenditure in their areas to facilitate fiscal integrity and legal compliance and as a means to achieving operating economies and performance efficiencies.
- 1.9** Section 3 looks at **financial management in respect of the revenue budget**. It covers topics such as budget moves and transfers to and from reserves. This section also explains how the delegated income and expenditure is controlled through the planning, setting, and monitoring of individual nominal budgets that together form the annual budget that is approved by the Chiefs' Council.



1.10 Section 4 of the Scheme concentrates on the processes around the **preparation of the annual revenue budget.**

1.11 All officers and staff should be aware of the existence of this Scheme and how this applies to their roles and responsibilities and will be asked to confirm this.



2.0 ROLES AND RESPONSIBILITIES

Budget Accountability

2.1 A fundamental principle of the budgetary control regime is that all budgets must be identified with a name officer/staff member who is accountable for controlling that budget. Control in this situation means determining, within any relevant policy constraints, how the budget is to be deployed to meet operational requirements and ensuring that arrangements are in place to secure operational outcomes within the financial constraint of the approved budget.

2.2 Chief Constables' Council (CCC) consents to an annual budget for the NPCC which the NPCC Chair is permitted to spend within defined approval limits set by CCC along with the Audit and Assurance Board (AAB).

2.3 The NPCC Chair takes overall responsibility for the budget delegated to the NPCC by the Chief Constables' Council and is accountable to CCC and AAB for ensuring that the budget is managed effectively. The NPCC Chair operates a system of devolved financial management with budgets being delegated to the Management Team (and further where seen fit to other budget-holders and "named officers"). In order to achieve the best use of financial resources, responsibility for their deployment is devolved as far as possible so that managers responsible for delivering operational services are also responsible and accountable for the deployment of the budget.

2.4 Management Team Members are accountable to the NPCC Chair for the overall allocated budget and financial management of their areas and/or services (Accountable Officers). This accountability is subject to compliance with the MOPAC control framework, the MPS Chief Finance Officer (CFO) Instructions and any other guidance issued by the NPCC Chair.

2.5 Accountable Officers have the authority to commit expenditure within their approved budget lines each year to meet the policies and objectives agreed with Chief Constables' Council without referring upwards for approvals.

2.6 Accountable Officers' key budget responsibilities include:

- Ensuring that income and expenditure are in accordance with overall objectives.
- Ensuring that expenditure does not exceed the NPCC's delegated budget so that overall expenditure does not exceed the total NPCC budget for the year.
- Producing (through the Finance Business Partners) an analysis of financial performance. This must include a forecast of income and expenditure for the year (revised quarterly), explanations of variances, and action being taken to address any forecast overspends. This will be a requirement for reporting to the NPCC SLT and AAB.



- Ensuring that income and expenditure is accounted for in accordance with UK accounting standards and practice. This includes ensuring all transactions are recorded in line with the coding structure and investigating and any correcting erroneous charges.
- Taking reasonable action to ensure that use of resources is legal, properly authorised and achieves Value for Money.
- Maintaining an audit trail of all statutory, financial, and managerial decision making.
- To adhere to the reserves policy.
- To contribute to the development of the Medium Term Financial Plan

2.7 The Accountable Officer is also responsible for allocating budget management responsibilities to nominated and named budget holders. The principle that underpins the identification of budget holders is that they are responsible and accountable for the management of operational resources and the related budget. While budget holders may delegate day to day management of budgets to other named officers, accountability cannot be devolved and remains with them.

2.8 Budget holders are responsible for ensuring the following:

- Expenditure does not exceed the budgets under their control for the year i.e., the control total that is formally signed-off by Chiefs' Council and reported at AAB.
- Overspends on one or more budget lines are managed by compensatory underspends on other budget lines within the budget holder's area of responsibility.
- Specific corrective actions are identified to manage forecast overspends within their units.
- Explanations are provided to the Finance Business Partners for forecast and actual over/underspends against approved budget.
- The approved budget is allocated to cost centres and appropriate general ledger codes and profiled to reflect planned expenditure and income over the forthcoming financial year (Finance Business Partners can provide further financial management guidance, as required, to supplement corporate instructions and guidance)
- Arrangements are in place for robust and timely monitoring of all budgets (including verification of income and expenditure) in compliance with the MPS budget monitoring guidance and timescales.



- Effective financial and internal controls are maintained, and the accuracy and integrity of financial information and processes is secured in accordance with the requirements of the MPS Chief Financial Officer's Instructions and this Scheme.

2.9 If budget holders delegate day to day management of budgets to named officers, they must ensure the role is clearly defined and documented.

2.10 The named officer will in particular ensure that they:

- Maintain clear audit trails (maintain appropriate records).
- Only authorise payments for which they have authority.
- Monitor the budget and produce forecast information regularly.
- Ensure approved budget levels are not exceeded.
- Ensure the effective operation of financial and internal controls within the span of their control.

2.11 A person granted delegated authority as a named officer may appoint another person/persons to deputise in cases of absence. A person granted delegated power may not wilfully disaggregate spend, as authority limits must give consideration to the total costs regardless of which Business Group elements are charged to.

2.12 As the NPCC utilise the same systems as the MPS for purchasing (along with expense and overtime claims for MPS employees); all staff should be trained on how to use the system to place orders and be accountable for the goods &/ services they have ordered ensuring goods receipt and invoice payment within the terms agreed with the supplier. All expenses including Barclaycard / GPC usage along with overtime claims must receive prior line manager approval and be submitted in a timely manner. Expense claims should be supported with relevant expenditure evidence and uploaded with the claim on the MPS system. All claims are subject to regular review through audit and dip sampling.

2.13 Overall accountability within the NPCC lies with its Chair. The NPCC can adopt the MPS recommended authorisation levels shown in the table below where this is conflict.

The NPCC will adopt a similar authorisation hierarchy reflective of their business model as certain ranks in the MPS Hierarchy will not be reflective of the NPCC (within corporate procurement rules and once approvals above have been applied). The Finance Business Partner is responsible for maintaining a register of the approval levels set and ensuring the Enterprise Resource Planning system reflects the agreed delegations.



Table 1: Illustrates MPS internal delegations within Business Groups to incur expenditure within the approved limits once the annual budget has been set and/or once the relevant approvals have been sought.

Commit expenditure within an approved budget / project	Police Officer Rank	Police Staff Equivalent Grade
£5m and above	Assistant Commissioner	Director / BBB 1 - 3
£0.25m up to £5m	Deputy Assistant Commissioner / Commander	Director / Band S1+
£0.1m up to £0.25m	Chief Superintendent	Band A / Shadow Band H & S
£25,000 up to £100,000	Superintendent	Band B / Shadow Band J, L & U
£5,000 up to £25,000	Chief Inspector	Band C / Shadow Band M & V
Up to £5,000	Inspector	Band D / Shadow Band K2, N, P & Q

Table 2: Illustrates NPCC delegations to incur expenditure within the approved limits once the annual budget has been set and/or once the relevant approvals have been sought

Commit expenditure within an approved budget / project	NPCC Role
£50,000 and above	NPCC Chair
£5,000 up to £50,000	Head of Strategic Hub / NPCC Unit Lead
Up to £5,000	Function Lead

2.14 Accountable officers, budget holders and named officers acting on their behalf must take into account resource considerations in decision making by:

- Ensuring that there is sufficient budget provision before committing expenditure.
- Considering the full year and long-term effects of such decisions and identifying where these will be funded from within future years' budgets.
- Ensuring they take into account the full costs associated with decisions; for example, when recruiting staff, the cost of associated equipment, clothing and accommodation must be included.
- Ensuring that value for money is achieved in the procurement of goods and services (following the approved contract regulations).
- Ensuring that where sponsorship and partnership agreements take place that all support costs are taken into account e.g., if a vehicle is supplied to the organisation all the running and equipment costs need to be taken into account.
- Ensuring that in all business cases all revenue implications of capital schemes are included.

Corporate Approvals and Delegated Limits

2.15 At all times Accountable Officers and budget holders need to be aware of:

- Setting of the annual budget.



- New spend outside the approved annual revenue budget.
- Budget movements.
- New contracts and extensions to contracts.
- Acquisition and disposal of properties.
- Provision of policing services.
- Financial assistance and compensation.
- New projects.

2.16 Chief Constables' Council will approve:

- The Medium-Term Financial Plan to support NPCC's strategy and objectives, after AAB scrutiny.
- The annual revenue budgets, after AAB scrutiny
- Any expenditure considered novel or contentious which should also be reported to AAB.
- New revenue (outside the budgets delegated to accountable officers) spending proposals.
- All financial documents to be reviewed and securitised by the NPCC Finance Coordination Committee to ensure VFM before they are submitted to Chief Constables' Council for approval.

The Role of the Finance Business Partner (FBP) & Strategic Finance Lead

2.17 Whilst support to budget holders will be provided by the FBP, it is important to recognise that accountability for the control of the budget cannot be transferred from the budget holders or Accountable Officers to Finance Business Partners or their staff.

2.18 Finance Business Partners will assist Accountable Officers in the monitoring of expenditure and income against budget throughout the year by providing advice and accurate and timely information to allow effective control of their budgets. This will involve assisting the Accountable Officers to explain forecast and actual variations from budget and suggesting appropriate corrective action to be taken. They will also work closely with Accountable Officers to profile and apportion the budgets between the various expenditure and income headings at the start of the year and produce in-year forecasts of financial performance.

2.19 The role of the Finance Business Partner and the Strategic Finance Lead is to provide both strategic and operational financial management advice and support to the NPCC. This includes ensuring that the processes in place for budget setting and financial



performance monitoring conform to best practice and meet NPCC and the AAB's requirements. In addition, they support the NPCC to maximise value for money from the resources under its control. Their main responsibilities are as follows:

- Supporting Accountable Officers to develop strategic business plans and business cases to ensure that investment decisions are robust and support the delivery of priorities and operational plans. The prescribed business case template will be required.
- Providing financial advice to Accountable Officers to support them in the delivery of their operational goals, whilst reducing cost and driving performance improvement.
- Co-ordinating the budgeting activities including scrutiny and, where necessary, challenge to ensure services are delivered as cost effectively as possible.
- Co-ordinating the budget setting and monitoring process.
- Producing management accounts, and advising NPCC Management Team of key variances, trends and any corrective actions required. This involves quality assuring forecast information from the Accountable Officers, ensuring accuracy and reasonableness.
- Ensuring that financial practices, processes, and advice meet professional standards and arranging financial training for senior managers
- Promoting best financial practice and adherence to the financial control framework, including local compliance checking.
- Working collaboratively with the procurement function to deliver VfM on key contracts/categories with suppliers.
- Keeping the MPS Director of Finance informed of all significant financial developments in the NPCC.



Management of devolved budgets

- 3.1** In accordance with devolved budgets, an Accountable Officer may wish to utilise one of the approved budgets in Box 1 and spend the money on other approved budget categories e.g., use an underspend on the staff pay budget to finance additional police staff overtime to cover the vacant posts. **This is permissible as long as the variances on all the budget headings overall are not overspent at the end of the year. It must be reported to NPCC SLT and reported as part of financial reporting.**

Box 1 Key budget headings excluding police officer pay

The key budget lines in the approved budget under which expenditure is approved:

- Pay: Officer & Staff pay
- Overtime: Officer & Staff
- Running Costs: Premises, Transport, Supplies & Services
- Income
- Transfers to and from reserves

- 3.2** There may be other instances however where the Accountable Officer may choose to move the monies allocated between budgets during the year. Such instances are listed in Box 2 below. The Accountable Officer must ensure they keep an audit trail of such movements and the rationale for these and operate in line with all policies i.e. reserves policy. It must be reported to NPCC SLT and AAB.

Box 2 Justifications for budget moves in year

- **Budget load:** To reflect circumstances which have occurred between the production of the draft budget in and it's loading ahead of the new financial year.
- **To reflect additional income and funding** which has been agreed since the production of the original budget.
- **Transfers to and from reserves** which were not identified in the original budget.
- **Structural changes** to the budget during the year (material and usually permanent).

Communication

- 3.3** Regular communication of budget issues and developments needs to take place between and across all levels of the organisation. To facilitate this,
- Finance should be a standing agenda item at monthly management team meetings with provision for additional specialist finance meetings e.g., quarterly forecasting or budget setting.
 - There should be regular bulletins, instructions, and guidance from the Finance Business Partner feeding information in when necessary to do so.
 - The Finance Business Partners should be accessible and visible to the NPCC Management Team

Quarterly forecasting & reporting

- 3.4** A quarterly forecast should be completed by the Accountable Officers in conjunction with the FBP, based on the most up-to-date information available at the time. This



should be completed in line with the MPS Corporate Timetable at the end of Periods 03, 06, & 09. The forecast should include a commentary as to the reasons for any variation from budget and identify key issues, risks, and mitigating actions. Once the forecast has been agreed between the Accountable Officers and the FBP, the FBP will ensure that the forecast is loaded on the system for reporting purposes. That forecast will be reported on in that month's Monthly Management Reporting noting any material changes in the forecast from previous alongside any budget moves and subsequent variance. This will also make up the basis for reporting to both Chiefs' Council and the AAB.

End of Financial Year (EOFY)

- 3.5** A detailed year-end timetable and full set of instructions will be produced by MPS Corporate Finance in consultation with SSCL. These will provide details of all the tasks that need to be completed and the timescales involved. NB: Not all of these will be applicable to the NPCC.
- 3.6** Underspends at Financial Year End will be transferred to reserves with CCC approval having been reviewed and discussed in advance with AAB. Quarter 3 forecasting and reporting will give CCC a guide as to what amounts are expected. Conversely, any forecasted overspends will be highlighted as a pressure on the following financial year's budget request to Chiefs' Council and AAB.
- 3.7** It is acknowledged that timing differences will occur between CCC quarterly meetings and the End of Financial Year which will cause figures to change between the forecasted under/overspend (and any reserves), the final outturn, and subsequently the budget request.

NPCC Reserves Policy

- 3.8** The NPCC Reserves Policy sets out the principles for establishment and use of reserves. This is supported by a NPCC Reserves Strategy which details the strategic position of general and earmarked reserves and will be reviewed in line with the MTFP.
- 3.9** The NPCC will adopt a prudent approach to budgeting and operate with a level of reserves proportionate to the risks to which it is exposed. In assessing the appropriate level of reserves the NPCC will be cognisant of the liability's arrangements set out in its S.22A arrangements. The level of reserves will be kept under continuous review by the Finance Business Partner and the NPCC Strategic Planning and Risk Manager. This will be reported through the quarterly monitoring reports.
- 3.10** When reviewing Medium Term Financial Plans and preparing the annual budget of the NPCC, the establishment and maintenance of reserves will be considered. These can be held for two main purposes: A contingency to cushion the impact of unexpected events or emergencies – this forms part of general reserves. A means of building up funds often referred to as earmarked reserves, to meet known or predicted requirements. Earmarked reserves are accounted for separately but remain part of the general reserve.

Risk Analysis

- 3.11** In reviewing reserves plans for the Annual Budget the NPCC Planning, and Risk Manager will take account of the need for effective delivery of NPCC business against



the need to retain prudent and proportionate levels of reserves and will make recommendations for approval by the NPCC Chair.

As a body created by virtue of a Collaboration Agreement under Section 22A of the Police Act the NPCC is not exposed to the same financial risks as an independent police force. This will affect the level of reserves to be maintained.

There are however risks affecting the financial stability of the NPCC. Those that have been considered, but which will also be kept under review are:

- Withdrawal of funding by a party or parties to the collaboration agreement.
- Increases in accommodation, service charge, or other costs.
- National settlements for pay awards being higher than what was planned for.
- The need to finance time-imperative pieces of work that require temporary resources.

NPCC Asset Management

3.12 The NPCC annual budget is an operational revenue budget only. The NPCC do not hold assets on the MPS balance sheet (Statement of Financial Position) aside from any reserves built up through underspends from the operational budget. No assets are capitalised and therefore are not subject to depreciation.

3.13 Asset registers are to be kept and maintained on all ICT equipment at purchase value of £1k or more with the register to be reviewed annually de minimis or when required e.g., new joiners / leavers to the organisation. The total value of assets held should be reported to AAB annually.

3.14 Should the NPCC acquire assets in value excess of £100k; capitalisation and depreciation through the MPS balance sheet should be sought in line with any current SLA support provisions.

4.0 SETTING THE ANNUAL REVENUE BUDGET

4.1 The NPCC will prepare a draft budget ahead of the forthcoming financial year for at Chiefs' Council. Any material movements between previously reported levels of the 3 Year Financial Plan will be explained. This will be scrutinised by AAB.

4.2 The NPCC will make clear what the contribution levels are expected of the funding parties as not all income will be derived from the funding parties own in year budgets.

4.3 The NPCC are conscious that there is significant pressure on public finances and will consider this in its budget setting requests. Should the NPCC hold funding from previous years in reserves, an option will be presented for the funding parties to exercise its use thereby reducing their contribution for that year.

4.4 The 3 Year Financial Plan (or Mid Term Financial Plan MTFP) will be reported on a rolling basis and presented quarterly alongside in-year Financial Reporting. The MTFP will take into account growth and savings along with any pressures or opportunities. It will be



scrutinized by AAB.

- 4.5** Budgets for pay inflation will be built into the MTFP (3-year plan) and profiled into the budget at the beginning of the financial year. Budgets for overtime will also be reflective of pay inflation and uplifted at this time where applicable.
- 4.6** A level of budget for non-pay inflation will be agreed as part of the budget submission by Chiefs' Council covering running costs such as ICT, rents, rates, utilities etc. This will be subjective to review by AAB in advance of Chiefs' Council.
- 4.7** Once the outturn of the previous financial year is known along with any direction given with regards to reserves, formal letters and invoices will be sent to the funding parties requesting their contribution for that financial year.

