



Surrey & Sussex  
**Policing Together**



Sussex  
Police & Crime  
Commissioner

Office of the Police and Crime  
Commissioner for Surrey

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## SURREY POLICE AND SUSSEX POLICE

### Financial Regulations

May 2020

# OFFICIAL

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## INTRODUCTION

To conduct financial business efficiently, the Police and Crime Commissioners (PCCs) and Chief Constables (CCs) need to ensure that sound financial management policies are in place, which comply with the Home Office Financial Management Code of Practice issued under section 17 of the Police Reform and Social Responsibility Act 2011 and para 7 of schedule a2 of the Fire and Rescue Services Act 2004 and that these are strictly observed by every police officer and employee under the control and direction of either the Police and Crime Commissioner or the Chief Constable.

Each Police and Crime Commissioner (PCC) and their respective Chief Constable (CC) is established in law as a corporation sole within the 2011 Act. As such, both are enabled by law to employ staff and hold funds in their official capacity. Chief Constables are charged with the impartial direction and control of all police officers and staff within the police force that they lead. Staff of the PCC are accountable to the directly elected holder of that office.

The Chief Financial Officer (CFO) to the PCC and the Executive Director of Commercial & Financial Services to the Chief Constable (CC) need to work closely together. This working relationship is of fundamental importance. The Chief Financial Officer and the Executive Director of Commercial & Financial Services need to ensure that their responsibilities can be fully delivered and assurances and information exchanged to fulfil the statutory and professional responsibilities of the Chief Financial Officers.

To conduct its business effectively, Surrey and Sussex Police need to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process is to adopt and implement Financial Regulations. The Regulations contained herein have been drawn up in such a way as to ensure that the financial matters of Surrey and Sussex Police are conducted properly and in compliance with all necessary requirements.

The Regulations are designed to establish overarching financial responsibilities, to confer duties, rights and powers upon the PCC, the Chief Constable and their officers and to provide clarity about the financial accountabilities of groups or individuals. They apply to every member of staff and officer of the service and anyone acting on their behalf

The Regulations identify the financial responsibilities of the Police & Crime Commissioner, the Chief Constable, the Chief Constable's Executive Director of Commercial & Financial Services, the Police & Crime Commissioners' respective Chief Finance Officers (CFO) and Chief Executives (CE).

## **Scheme of Governance**

Financial Regulations forms part of the overarching Scheme of Governance for the PCC and CC. This includes:

- Code of Corporate Governance
- Memorandum of Understanding
- Office of the Police & Crime Commissioner's Scheme of Delegation
- Chief Constable's Scheme of Delegation
- Financial Regulations (including Financial Instructions)
- Contract Standing Orders.

Overall governance arrangements are in place to ensure that the activities of both the PCC's and the CC's are properly and effectively managed, in a way that secures the combined assets of both and uses and protects and harnesses them to meet jointly agreed strategic objectives, while maximising the value, both financial and operational, that can be obtained for the benefit of the public.

## **Interpretation**

It must be recognised that Financial Regulations cannot foresee every eventuality. The PCC's CFO and the CC's the Executive Director of Commercial & Financial Services, shall be responsible for interpreting these regulations so as to ensure that the conduct of financial business is secure, efficient and effective and achieves the highest levels of probity.

## **Status**

These Financial Regulations should not be seen in isolation, but rather as part of the overall regulatory and governance framework that includes the list above.

The PCC, CC and all their employees have a general responsibility for taking reasonable action to provide for the security of the assets under their control and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.

Financial Regulations explain the working financial relationship between the PCC and the Chief Constable and The PCCs CFO and the Executive Director of Commercial & Finance Services, having regard also to the role played by the PCC's Chief Executive.

The PCC and Chief Constable are jointly responsible for approving or amending Financial Regulations, in consultation with their Joint Audit Committee. The PCC's Chief Financial Officers are responsible for maintaining a review of Financial Regulations and submitting any additions or amendments to the PCC and Chief Constable, after consulting with the CC's the Executive Director of Commercial & Financial Services and the Chief Executive.

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The PCC, CC and all their employees have a duty to abide by the highest standards of probity (i.e. honesty, integrity and transparency) in dealing with financial issues

Beyond the scope of this document, financial regulations sit alongside other internal regulatory documents. For example, Contract Standing Orders, financial procedures, guidance and instructions and employee codes of conduct. Should there be any contradiction contained within procedures, instructions or codes of guidance the Financial Regulations will take precedence.

The PCC, CC, CFOs, the Executive Director of Commercial & Financial Services and the PCC's CEs shall maintain a written record where decision- making has been delegated to members of their staff, including seconded staff.

### **Responsibilities**

The CFO of the PCC and the Executive Director of Commercial & Financial Services of the CC are jointly responsible for maintaining a continuous review of the financial regulations and for submitting any necessary additions or changes to the PCC for approval and for reporting, breaches of the financial regulations to the relevant Monitoring Officer and their Joint Audit Committee (JAC).

All CFOs are responsible for issuing advice and guidance within their respective corporate bodies to underpin the financial regulations.

The PCC and CC are responsible for ensuring that all police officers, staff, contractors and agents under their respective control and direction are aware of the existence and content of, and have access to these financial regulations and other internal regulatory documents and that these are complied with.

Breaches of Financial Regulations may result in disciplinary proceedings and, potentially, criminal action. Such cases shall be reported to the PCC'S CFO and/or CC's the Executive Director of Commercial & Financial Services who shall determine, after consulting with the relevant Monitoring Officer, whether the matter shall be reported to the PCC and/or Chief Constable. Any police officer or member of staff who knowingly, or by negligence, breaches these financial regulations may be subject to disciplinary action and in some instances may incur criminal liability.

### **Financial Instructions**

More detailed Financial Instructions supplement these Regulations and are listed at Appendix B. These Financial Instructions support delivery of the Financial Regulations and shall be issued after consultation between the CC's the Executive Director of Commercial & Financial Services, the PCC's CFOs and Chief Executives.

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**Definitions**

For the purposes of these Regulations, Surrey or Sussex Police, when used as a generic term, shall refer to the:

PCC  
Office of the PCC; and  
Force

The PCC's Chief Finance Officer is financial advisor to the relevant PCC.

The Chief Constable's joint Chief Finance Officer (Executive Director of Commercial & Financial Services) is the financial advisor to the CCs.

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

Chief Officers when referred to as a generic term shall mean the Chief Constable, Chief Executives, PCC's CFOs and CC's CFO (Executive Director, Commercial & Finance Services/Service Director, Finance).

'Employees' when referred to as a generic term shall refer to police officers, police staff and other members of the wider police family.

The expression 'authorised officer' refers to employees authorised by a chief officer. The expression 'contract' refers to any commitment (including purchase orders, leases and service level agreements) to acquire, purchase or sell goods, services or building works.

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

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

## 1. FINANCIAL MANAGEMENT

### 1.1 RESPONSIBILITIES

#### 1.1.1 POLICE AND CRIME COMMISSIONER (PCC)

1.1.1.1 The PCC has a statutory duty to ensure an efficient and effective police service and to hold the CC to account on behalf of the public. The PCC is the recipient of funding relating to policing and crime reduction, including government grant, council tax precept and other sources of income. How this money is allocated is a matter for the PCC in consultation with the CC, and in accordance with any grant terms. The statutory officers of the CC and the PCC will provide professional advice and recommendations on the allocation of funding and account for all income and expenditure.

1.1.1.2 The PCC shall appoint a Chief Finance Officer (CFO) to be responsible for the proper administration of his/her financial affairs and a Chief Executive (CE) who will act as monitoring officer.

1.1.1.3 The PCC may appoint a Deputy PCC (DPCC) for that area and arrange for the DPCC to exercise functions of the PCC as set out in the Scheme of Delegation.

1.1.1.4 The PCC is responsible for:

- setting the precept;
- approving the financial policy framework and budget;
- monitoring financial outcome;
- and approval of medium term financial plans in consultation with the Chief Constable (CC);

1.1.1.5 The PCC is responsible for approving the overall framework of accountability and control, and for monitoring compliance in relation to these Financial Regulations, this includes:

- Police and Crime Plan;
- Financial strategy (including reserves);
- Annual revenue budget;
- Capital & Investment programme and financing;
- Medium term financial forecasts;
- Treasury management strategy, including the annual investment strategy asset management strategies (IT, transport, estates, equipment replacement);



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- Risk management strategy;
- Governance policies.

1.1.1.6 The PCC is responsible for approving procedures for recording and reporting decisions taken and for monitoring compliance with agreed policy and related executive decisions. The PCC is also responsible for approving procedures for agreeing variations to approved budgets (virements), plans and strategies forming the policy framework.

1.1.1.7 The PCCs shall provide their CFO's with such accommodation and other resources as are in his/her opinion sufficient to allow the duties under this section to be performed

### 1.1.2 THE PCC's CHIEF FINANCE OFFICER

The PCC's CFO has the responsibility for the proper financial administration of the PCC's financial affairs and has a personal fiduciary responsibility to the local council taxpayer.

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

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

The CFO is the PCC's professional adviser on financial matters and shall be responsible for:

- ensuring that the financial affairs of the PCC are properly administered and that financial regulations are observed and kept up to date;
- ensuring regularity, propriety and Value for Money (VFM) in the use of public funds;
- ensuring that the funding required to finance agreed programmes is available from Central Government, council tax precept, other contributions and recharges;
- reporting to the PCC, the Police and Crime Panel and to the external auditor: any unlawful, or potentially unlawful, expenditure by the PCC or officers of the PCC, and/or when it appears that expenditure is likely to exceed the resources available;
- advising the PCC on the robustness of the estimates and the adequacy of financial reserves;
- preparing the annual statement of accounts, in conjunction with the CCs CFO;

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- ensuring the provision of an effective internal audit service, in conjunction with the CC's CFO;
- securing the treasury management function, including the Treasury Management Strategy Statement (TMSS), loans and investments;
- advising, in consultation with the CE on the safeguarding of assets, including risk management and insurance;
- arranging for the determination and issue of the precept
- liaising with the external auditor; and
- advising the PCC in consultation with the CE on the application of value for money principles by the Force to support the PCC in holding the CC to account for efficient and effective financial management.

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

The PCC's CFO has certain statutory duties which cannot be delegated, namely reporting any potentially unlawful decisions by the PCC on expenditure, and preparing each year, in accordance with proper practices in relation to accounts, a statement of the PCC's accounts including the group accounts.

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

- must be a key member of the PCC's Leadership Team, working closely with the CE, 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 in alignment 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 the finance function is resourced to be fit for purpose.

The PCC's CFO must have full access to all relevant financial information as laid down in the PCC's Scheme of Delegation

The PCC's CFO must have a properly qualified deputy should he/she be

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unable to perform the duties under section 114 of the Local Government Finance Act 1988. This is currently achieved by the Surrey PCC's CFO acting as deputy for the Sussex PCC's CFO and vice versa.

Section 113 of the Local Government Finance Act 1988 requires that the PCC's Chief Finance Officer must be a member of one or more of the bodies listed below:

- The Association of Chartered Certified Accountants (ACCA)
- The Chartered Institute of Management Accountants (CIMA)
- The Chartered Institute of Public Finance and Accountancy (CIPFA)
- The Institute of Chartered Accountants in England & Wales (ICAEW)
- The Institute of Chartered Accountants in Scotland (ICAS)
- The Institute of Chartered Accountants in Ireland (ICAI)
- Any other body of accountants established in the UK and for the time being approved by the Secretary of State for the purposes of this section.

and the PCC's CFO shall ensure that they maintain such membership of at least one or more of such bodies accordingly at all times.

### 1.1.3 THE PCC's CHIEF EXECUTIVE

The CE is responsible for the leadership and general administration of the PCC's Office.

The CE is also the PCC's designated monitoring officer, appointed under section 5(1) of the Local Government and Housing Act 1989.

The monitoring officer is responsible for:

- ensuring the legality of the actions of the PCC and his/her officers;
- ensuring that procedures for recording and reporting key decisions are operating effectively;
- advising all staff and officers about who has authority to take a particular decision;
- advising the PCC about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework;
- consulting the CFO and seeking approval on any matter liable to affect the PCC's finances materially, before any commitments are incurred;
- signing contracts on behalf of the PCC.

### 1.1.4 THE CHIEF CONSTABLE

The CC is responsible for implementing the strategic direction set by the PCC and has direction and control over the Force's officers and staff. The CC holds office under the Crown, but is appointed by the PCC.

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The CC 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 CC, his/her constables and staff, remain operationally independent in the service of the public.

To help ensure the effective delivery of policing services and to enable the CC to have impartial direction and control of all constables and staff within the Force, the CC should have day to day responsibility for financial management of the Force within the framework of the agreed budget allocation and PCC's Scheme of Delegation.

The CC shall appoint a CFO (Executive Director of Commercial & Financial Services) to be responsible for the proper administration of the CC's financial affairs.

The CC must ensure that the financial management of their allocated budget remains consistent with the objectives and conditions set by the PCC. The CC will discharge this through his/her Executive Director of Commercial & Financial Services who will lead for the Force on financial management.

The CC is responsible for approving the operational content of any contractual arrangements for any work by the force for third parties or external bodies, including the identification of all risks related to that work.

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

**1.1.5 THE CHIEF CONSTABLE'S CHIEF FINANCE OFFICER (the Executive Director of Commercial & Financial Services)**

The CC's CFO (Executive Director of Commercial & Financial Services) has the responsibility for the proper financial administration of the CC's financial affairs and has a personal fiduciary responsibility to the local council taxpayer.

The Executive Director of Commercial & Financial Services is responsible to both CC's for all financial activities within both Forces or contracted out under the supervision of the Forces.

The Executive Director of Commercial & Financial Services shall be the CC's Chief Finance Officer for the purposes of Paragraph Schedule 1 of the Police

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Reform Act with responsibilities set out in:

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

The Executive Director of Commercial & Financial Services is responsible for:

- ensuring that the financial affairs of the Force are properly administered and that these financial regulations are observed and kept up to date;
- reporting to the CC, the PCC and the PCC's CFO and to the external auditor:
  - any unlawful, or potentially unlawful, expenditure by the CC or officers of the CC;
  - when it appears that expenditure of the CC is likely to exceed the total resources available, including usable reserves
  - advising the CC on value for money in relation to all aspects of the Force's expenditure;
- advising the CC, the PCC and the PCC's CFO on the soundness of the budget in relation to the Force;
- liaising with the external and internal auditors;
- working with the PCCs' CFOs to produce the statement of accounts for the CC and to assist in the production of the group accounts

The Executive Director of Commercial & Financial Services 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, a statement of the CC's accounts. The Executive Director of Commercial & Financial Services will need to observe the locally agreed timetable for the compilation of the group accounts with the PCC's CFO.

The Forces' joint Executive Director of Commercial & Financial Services is the CC's professional adviser to both CCs on financial matters. To enable him/her to fulfil these duties the Executive Director:

- must be a key member of both CC's Management Teams, helping them 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 CC to ensure immediate and longer term implications, opportunities and risks are fully considered;
- must lead the promotion and delivery by the CC of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively; and
- must ensure that the finance function is resourced to be fit for purpose.

Section 113 of the Local Government Finance Act 1988 requires that the CC's Executive Director of Commercial & Financial Services must be a member of

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one of the bodies listed below:

- The Association of Chartered Certified Accountants (ACCA)
- The Chartered Institute of Management Accountants (CIMA)
- The Chartered Institute of Public Finance and Accountancy (CIPFA)
- The Institute of Chartered Accountants in England & Wales (ICAEW)
- The Institute of Chartered Accountants in Scotland (ICAS)
- The Institute of Chartered Accountants in Ireland (ICAI)
- Any other body of accountants established in the UK and for the time being approved by the Secretary of State for the purposes of this section.

and the PCC's CFO shall ensure that they maintain such membership of at least one or more of such bodies accordingly at all times.

The CC's Executive Director of Commercial & Financial Services delegates the Finance Service Director to act as a suitably qualified deputy in their absence.

## 1.2 THE JOINT AUDIT COMMITTEE

The revised Home Office Financial Management Code of Practice for the Police Forces of England and Wales states that the PCC and Chief Constable should establish an independent audit committee. Each PCC/CC has a combined body which will consider the internal and external audit reports of both the PCC and the Chief Constable.

The Joint Audit Committee will advise the PCC and the Chief Constable according to good governance principles and will adopt appropriate risk management arrangements in accordance with proper practices. In operating the Audit Committee the PCC and the CC shall have regard to the CIPFA guidance on Audit Committees.

The Joint Audit Committee shall comprise of between three and six members who must be independent of both the PCC and the CC.

The Joint Audit Committee shall establish and maintain formal terms of reference, covering its core functions, which shall be formally adopted and which it will review on an annual basis. The terms of reference set out the full scope and responsibilities of each Joint Audit Committee.

The PCC and the CC shall be represented at all meetings of the Joint Audit Committee.

### 1.3 ACCOUNTING RECORDS AND RETURNS

Maintaining proper accounting records is one of the ways in which the PCC and the CC will discharge their responsibility for stewardship of public resources.

To ensure that proper accounting records are maintained, the PCC's CFO and CC's Executive Director of Commercial & Financial Services will jointly:

- determine the accounting procedures and records, in accordance with recognised accounting practices, and approve the strategic accounting systems and procedures employed by the PCC and the CC;
- make proper arrangements for the audit of the PCC's, CC's and Group accounts in accordance with the Accounts and Audit Regulations 2015;
- ensure that bank reconciliations and other key control reconciliations are regularly performed on a timely basis;
- prepare and publish the audited accounts in accordance with the statutory time-table.

### 1.4 THE ANNUAL STATEMENT OF ACCOUNTS

The PCC's CFOs and the CC's Executive Director of Commercial & Financial Services have the responsibility of preparing the respective Annual Statement of Accounts and Annual Governance Statements in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom. The accounts will comprise separate statements for the PCC and the CC as well as a set of group accounts.

The CC's Executive Director of Commercial & Financial Services will comply with accounting guidance provided by the PCC's CFO and will supply within a reasonable time-scale all financial and accounting information needed to allow them to meet all relevant statutory requirements.

The Joint Audit Committee is responsible for scrutinising the Annual Statement of Accounts and making recommendation to the PCC and the CC as to their approval.

The Annual Statement of Accounts is subject to External Audit scrutiny and sign-off.

The PCC and CC are responsible for approving their respective final Annual Statement of Accounts on the recommendation of the Joint Audit Committees.

The PCC is responsible for approving the group Statement of Accounts.

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The PCC's CFO will publish the approved and audited accounts of the PCC Group each year in accordance with the statutory time-table.

## 2. FINANCIAL PLANNING

### 2.1 POLICY FRAMEWORK

The PCC in consultation with the CC, other relevant partners and key stakeholders, is responsible for agreeing the financial policy framework, budget and precept. In terms of financial planning, the key elements are:

- the Police & Crime Plan covering the time period up to the next PCC election plus any amendments to the Plan during that period (the PCC is required to submit the plan and amendments to the respective Police & Crime Panels);
- a Medium Term Financial Plan/Strategy;
- an annual Revenue Budget;
- an annual Capital Budget and Capital Programme;
- a Treasury Management Strategy.

### 2.2 PREPARATION OF THE POLICE & CRIME PLAN

The PCC is responsible for the preparation of the Police & Crime Plan. The PCC must consult with the Chief Constable on its development and the Chief Constable must have due regard to the Plan once agreed. The Plan must also be informed by an understanding of local need. It must include:

- The PCC's police and crime objectives for the area;
- The policing of the police area which the CC is to provide as set out in the CCs Operational Delivery Plan ;
- The financial and other resources which the PCC is to provide to the CC;
- The means by which the CC will report to the PCC on the provision of policing;
- The means by which the CC's performance in providing policing will be measured;
- The specific grants which the PCC is to make and the conditions (if any) of those grants;

The Police and Crime Plan (and any variations to the plan) will be presented to the Police and Crime Panel for review, as the Police and Crime Panel (PCP) in each Force has the power to scrutinise the PCC's activities, including the ability to review the Police and Crime Plan and annual report.



## 2.3 BUDGETING

### 2.3.1 BUDGET FORMAT

The general format and approach to setting the revenue budget and capital programme must be approved by the PCC's CFO and must comply with all legal requirements and with the latest guidance issued by CIPFA. Proposed budgets should include the sums allocated to different services and projects, levels of grant income and proposed precept levels and contingency and reserve funds.

### 2.3.2 BUDGET PREPARATION GUIDANCE

The PCC's CFO and the CC's Executive Director of Commercial & Financial Services will issue guidance on budget preparation to the appropriate officers and staff within Surrey/Sussex Police to take account of

- Legal requirements
- Medium Term Financial Plan/Strategy
- Police and Crime Plan
- Operational requirements of the Chief Constable
- Efficiency plans
- Relevant government guide lines.

### 2.3.3 BUDGET & CAPITAL PROGRAMME PREPARATION

The CC's Executive Director of Commercial & Financial Services is responsible for ensuring that CC budget proposals are properly prepared in accordance with requirements agreed with the PCC's CFO.

The PCC's CFO is responsible for ensuring that the PCC's budget is compiled and properly combined with the CC's revenue and capital budgets to produce a group budget that complies with all statutory requirements, before it is presented for approval to the PCC.

The PCC will be advised by her/his CFO on the appropriate level of general balances, earmarked reserves and provisions to be held and the prudential indicators arising from the application of the Prudential Code of Capital Finance in Local Authorities to the proposed revenue and capital budget.

The PCC will be advised by his/her CFO on the most appropriate level of revenue support and appropriate levels of borrowing to support the capital programme, in line with requirements of the Prudential Code.

It is the responsibility of the CC's Executive Director of Commercial & Financial Services to ensure that the estimates contained within the budget are realistic and prudent and subject to risk assessment.

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The PCC's proposed budget will be presented to the Police & Crime Panel in support of the Precept Proposal being put forward by the PCC.

Following completion of the Police & Crime Panel's scrutiny process for reviewing the PCC's Precept Proposal (which will by implication enable the PCC to approve the Revenue and Capital Budget and precept), the PCC's CFO will issue to the billing authorities the statutory Precept Notice.

The CC in consultation with his/her Executive Director of Commercial & Financial Services is then responsible for issuing guidance on the general content of the budget within the Force, as soon as possible following the issue of the statutory Precept Notice, and no later than 31 March.

#### 2.3.4 PREPARATION OF A MEDIUM TERM FINANCIAL PLAN

The PCC and CC share a responsibility to provide effective financial and budget planning for the short, medium and long term. This objective is achieved by preparing a Medium Term Financial Plan/Strategy made up of at least three year estimates of revenue and capital expenditure and income, efficiency and improvement savings plans, reserves and balances and risk assessments. This must contain:

- plans that reflect the PCC's consultations with not only the CC, but also other relevant partners and key stakeholders
- operational delivery plans for the development of services and the priorities for the allocation of both capital and revenue resources between services that reflect the strategic direction outlined in the Police and Crime Plan
- the financial effects of all known commitments together with any other proposals for changes to levels of existing services, or the introduction of new services
- take account of the funding available from central government and other sources and balance the need for expenditure against the impact that proposed plans will have on the local Council Tax payer
- a range of alternative financial planning scenarios (e.g. optimistic, likely, pessimistic) based on assessed financial risk
- budget planning assumptions.

### 2.3.5 BUDGET MONITORING AND CONTROL

The PCC's CFO and CC's Executive Director of Commercial & Financial Services will agree an annual timetable for reporting of PCC, CC and combined budgets to the PCC and CC.

The CC's Executive Director is responsible for ensuring that regular and appropriate financial information is provided to the PCC's Office usually on a monthly basis unless otherwise agreed, to enable both revenue budgets and the capital programme to be monitored effectively throughout the year.

It is the CC's responsibility to ensure that each element of expenditure and income has a nominated budget manager to take responsibility for that part of the budget, thereby ensuring that income and expenditure is properly monitored and controlled and that appropriate action is taken to avoid the approved budget and capital programme allocations being exceeded. Any issues identified which might lead to expenditure exceeding the budget for the year should be reported to the PCC's CFO and form part of regular reporting.

The CC's Executive Director of Commercial & Financial Services can approve business cases for revenue expenditure below £500,000 with the exception of expenditure proposals of an exceptional nature, which will be determined in consultation with the PCC's CFO and Chief Executive.

The specific additional requirements for control and reporting on capital expenditure are set out in section 2.3.8.

### 2.3.6 VARIATIONS TO APPROVED CAPITAL AND REVENUE BUDGETS (VIREMENTS)

Virements are intended to enable the CC to manage budgets flexibly within the overall policy framework determined by the PCC and, therefore to provide the opportunity to optimise the use of resources to emerging needs.

The CC is only required to refer back to the PCC when a proposed virement would change the overall policy framework determined by the PCC, where a revenue virement might create a future year or continuing commitment, or exceeds the level set below. It must be noted that while revenue funds can be vired to cover capital expenditure, revenue expenditure can only be funded from revenue funds.

The Chief Constable's Executive Director of Commercial & Financial Services may transfer or move budgets between budget headings, on a permanent or temporary basis up to a value of £500,000, notifying the PCC through the agreed financial and budget reporting process. All proposed virements outside

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this limit must be reported to the PCC's CFO for approval by the PCC.

### 2.3.7 OUTTURN REPORTING

The CC's Executive Director of Commercial & Financial Services will report on the outturn of income and expenditure to the PCC's CFO as soon as practicable after the end of the financial year.

The PCC's CFO and CC's Executive Director will prepare outturn reports for approval of the PCC and CC within 2 months following the end of the financial year. The outturn report by the PCC's CFO and CC's Executive Director will recommend for PCC approval the capital financing and use or transfer of any surplus or deficit on revenue and capital budgets in line with the Reserves Policy.

### 2.3.8 CAPITAL EXPENDITURE

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

Surrey/Sussex Police are able to undertake capital investment providing the spending plans are affordable, prudent and sustainable. Capital plans should be prepared in accordance with CIPFA's Prudential Code.

The Capital programme is linked to the approved financial strategy and will be developed in line with requirements for budget preparation and medium term financial planning set out in Section 2.3.3 and 2.3.4.

The total amount available to fund capital expenditure in any year is determined by the PCC who will take account of the available capital resources i.e. capital grants, capital receipts, loans and under spending carried forward from the previous year.

Before commencement of any capital scheme a business case must be prepared in format to be agreed by the PCC's CFO and CC's Executive Director of Commercial & Financial Services and include estimates and profile of capital expenditure, any financing costs, and on-revenue running costs. Approval of business cases is subject to funding being agreed within the capital programme or transferred from revenue budget.

The CC's Executive Director can approve business cases for capital expenditure below £500,000 with the exception of expenditure proposals of an

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exceptional nature, to be determined in consultation with PCC's CFO and Chief Executive.

The virement of capital scheme budgets within the approved capital programme may be approved by the CC's Executive Director of Commercial & Financial Services in line with limits set out in virements section 2.3.6.

Expenditure incurred on approved projects will be reported to the PCC as part of the normal financial capital reporting process. Where predicted or actual expenditure on projects varies (up or down) from approved budget by more than 10%, an explanation of the variance will be provided by the CC's Executive Director of Commercial & Financial Services as part of regular financial reporting during the year.

The overall approved capital budget for the financial year may not be exceeded without prior approval of the relevant PCC.

## 2.4 PROPERTY/PREMISES LEASES INTRODUCTION

Leases and hire purchase contracts enable the PCC to obtain the right to use or purchase assets without the burden of formal ownership. Accounting standards classify leases into two types – finance and operating leases.

All leases must be accounted for and comply with current accounting standards. All leases must be assessed by the Corporate Accountant in the relevant Force prior to the lease being signed. This will ensure that the lease is correctly classified and the likely on-going financial implications to the revenue budget and capital programme are accurately assessed in advance. Otherwise, there is a risk that the PCC will be exposed to significant unplanned costs, to which the PCC is contractually committed for the period of the lease.

The CC's Executive Director may acquire freeholds up to £500,000 and leaseholds with a contract rental value of up to £500,000 over the lifetime of the lease, in the name of the Police and Crime Commissioner. All property purchases/disposals will then be recorded as 'Key Decisions' by the PCC. Above this level approval will need to be made by the relevant PCC CFO.

The CC's Executive Director of Commercial & Financial Services may approve all requests to grant a lease with a total contract value up to £500,000 over the lifetime of the lease. Above this level, approval will need to be made the relevant PCC's CFO.

Assets are set out in section 3.8.

## 2.5 MAINTENANCE OF BALANCES AND RESERVES

The PCC should establish a policy on reserves in consultation with the CC. The PCC will be advised on the reasonable level of reserves that should be maintained by his/her CFO.

The PCC's CFO and CC's Executive Director of Commercial & Financial Services will formally review and recommend a Reserves Policy to the PCC for approval at least annually.

## 3. MANAGEMENT OF RISKS AND RESOURCES

### 3.1 INTRODUCTION

It is essential that robust integrated systems are developed and maintained for identifying and evaluating all significant risks to the PCC and the CC. This should include the proactive participation of all those associated with planning and delivering policing services.

### 3.2 RISK MANAGEMENT

The PCC and the CC are jointly responsible for approving the risk management policy statement and strategy, and for reviewing the effectiveness of risk management. The CC is also responsible for implementing on an on-going basis the risk management strategy and for promoting a risk aware culture throughout the Force, including the identification of business continuity plans in the event of an unexpected disaster. The CE is similarly responsible for implementing a risk management strategy in respect of the PCC's Office.

### 3.3 INSURANCE

The PCC will be advised on appropriate arrangements for insurance by his/her CFO, who will determine the appropriateness of using commercial insurance to cover identified risks in conjunction with the CC's Executive Director of Commercial & Financial Services. The PCC's CFO will arrange for actuarial reviews to be taken as required. The CC's Executive Director will be responsible for ensuring that claims against insurance policies are promptly made.

An Insurance Reserve will be held to cover likely insurance liabilities in the areas of motor insurance, employer and public liability and provides for the self-funding of certain uninsurable risks, such as payments of compensation or damages. This Reserve will be adjusted annually, following an independent actuarial review, to reflect inflation and up to date risk management information.

The CC's Executive Director of Commercial & Financial Services will provide the

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PCC's CFO with quarterly reports of the insurance claims, compensation and other payments.

### 3.4 INTERNAL CONTROL

Internal control refers to the systems of control implemented by management to help ensure that the PCC's and CC's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that their assets and interests are safeguarded.

The PCC's CFO, in conjunction with the CC's Executive Director of Commercial & Financial Services, is responsible for advising on and implementing effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with statute.

It is the responsibility of the CC, with advice from the CC's Executive Director of Commercial & Financial Services, to establish sound arrangements to achieve continuous improvement, economy, efficiency and effectiveness and for achieving financial performance targets.

The 'Review of Effectiveness' section of the Annual Governance Statement considers the effectiveness of the system of internal control.

In Surrey this section is informed by all senior colleagues, such as Heads of Profession and Strand Commanders, signing an annual Management Assurance Statement. In so doing, managers are confirming that – to the best of their knowledge – they are satisfied that controls have been operating effectively during the year across their areas of responsibility and that there are no control breakdowns of which they are aware. Considering the content of the Management Assurance Statements plus that of the overarching Annual Governance Statements, together with the work of the internal and external auditors and HMICFRS reviews, provides sufficient evidence of good governance.

In Sussex, the 'Review of Effectiveness' section of the Annual Governance Statement (AGS) section is informed by all senior managers, including Heads of Profession who confirm that controls have operated effectively during the year and that actions identified in the Annual Governance Statement for the previous financial year have been completed. As in Surrey, senior colleagues also sign an annual Management Assurance Statement. The 'Review of Effectiveness' section of the AGS follows the six principles identified in the revised CIPFA "Delivering Good Governance in Local Government: Guidance Note for Police 2012". The Force Organisational Reassurance Board considers the information from the review of Annual Governance, together with the work of the internal and external auditors and HMICFRS reviews, to ensure sufficient evidence of

good governance.

### 3.5 INTERNAL AUDIT REQUIREMENTS

The Accounts and Audit Regulations 2015 require that the PCC and the CC arrange for an effective internal audit of their affairs. The regulations state that relevant bodies must maintain adequate and effective systems of internal audit of its accounting records and of its system of internal control. The guidance accompanying the legislation states that proper internal control practices for internal audit are those contained in the Public Sector Internal Audit Standards (PSIAS). In fulfilling this requirement the PCC and CC should have regard to the PSIAS.

In addition to enabling the PCC and the CC to fulfil their requirements in relation to the relevant Accounts and Audit Regulations, Internal Audit is required:

- to satisfy the external auditor that financial systems and internal controls are effective; and
- to satisfy the external auditor that financial systems and internal controls are effective and that the Police Fund is managed so as to secure value for money.

It will be the responsibility of the two CFOs to ensure that an adequate and effective internal audit service is provided and it is the responsibility of the PCC and the CC to ensure that the internal auditors have access to all assets, records, documents, correspondence, control systems and appropriate personnel as well as having the right to access all Police premises, subject only to security clearance as advised by PSD.

The Joint Audit Committee (JAC) is a key component of the corporate governance arrangements for the PCC and CC corporations sole. The JAC provides an independent and high level focus on the adequacy of the audit, assurance and reporting arrangements. JAC will advise and make recommendations to the PCC and CC on the adequacy of the internal audit function.

The Head of Internal Audit will prepare a minimum 3 year internal audit plan, which will be developed in consultation with the three CFOs in conjunction with the Chair of the JAC before being submitted to the JAC for endorsement. Progress in completing the plan will be reported to each JAC meeting, together with a report on matters arising from completed audits and the extent to which action has been taken in response to issues raised in those reports. There is a duty on Heads of Internal Audit to prepare plans in consultation with each other and minimise duplication of effort and share individual audit reports on areas of audit activity relating to joint services in line with Surrey/Sussex section 22a collaboration agreement.



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The Head of Internal Audit will present an annual report to each JAC which will include an opinion on the reliance that may be placed on the internal control framework.

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

- To help the PCC and CC 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.

The Forces' Executive Director must notify the PCC's CFO immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of Police property or resources. Pending investigation and reporting, the CC should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration. Investigation of internal financial irregularities shall normally be carried out by the Head of Professional Standards Department, who will inform the Chief Constable and will consult with the Head of Internal Audit as appropriate and keep him/her informed of progress. At the conclusion of the investigation the Head of Internal Audit shall review the case to identify any internal control weaknesses that allowed the financial irregularity to happen and shall make recommendations to ensure that the risk of recurrence is minimised.

### 3.6 EXTERNAL AUDIT

Both the PCC and the CC will, from time to time, be subject to audit, inspection or investigation by external bodies such as the External Auditors, HMICFRS and HM Revenue and Customs, who have statutory rights of access to all documents, facilities and information necessary for audit and inspection purposes.

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;

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- 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.

In auditing the annual accounts the external auditor must ensure that:

- the accounts are prepared in accordance with all relevant guidance and statutory regulations;
- that proper accounting practices have been observed in the compilation of the accounts;
- that proper arrangements have been made for securing economy, efficiency and effectiveness.

The PCC and the CC will be expected to respond to issues arising out of the external audit and to account to the JAC for having implemented agreed actions within a reasonable time frame.

### 3.7 PREVENTING FRAUD AND CORRUPTION

The PCC and the CC have a responsibility for the development and maintenance of an Anti-Fraud and Anti-Corruption strategy which applies to all staff under their operational control.

The strategy should be designed to prevent and detect fraud and corruption and identify a clear pathway for investigation and remedial action. It must be based on a series of inter related procedures covering culture, prevention, the internal control system and training on detection and investigation.

The PCC and the CC and their respective staff must declare any pecuniary interests in contracts and must not accept fees or rewards other than by proper remuneration. Any hospitality or gifts received on behalf of the Force or PCC's Office must be properly recorded in detail in their respective Register of Hospitality and Gifts.

The PCC and CC will maintain a [Confidential Reporting policy \("Whistleblowing"\)](#) that will enable members of their respective staffs, contractors and members of the general public to make allegations of fraud, misuse and corruption in confidence and without recrimination, to an independent contact. The policy will ensure that allegations are properly investigated as to their validity, to ensure that they are not malicious and that the appropriate action is then taken to address any valid concerns identified. All employees must be made aware of the policy.

### 3.8 ASSETS

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Ownership and funding of all police assets (land, property, vehicles, equipment, furniture and other items) rests with the PCC, but the CC is responsible for the direction and control of the Force and will therefore have day to day management of all assets used by the Force.

The PCC should consult the Chief Constable in planning the budget and developing a Medium Term Financial Plan/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.

The CC's Executive Director of Commercial & Financial Services may approve acquisition of freeholds and leaseholds in the name of the Police and Crime Commissioner, up to £500,000 in line with the approved Estates Strategy.

The CC is responsible for maintaining an up to date Asset Register that will record sufficient detail to allow sound asset management and proper fixed asset accounting to take place. It is the responsibility of the CC to physically safeguard all operational assets and to ensure that contingency plans are in place for the security of assets and continuity of service in the event of a disaster or major systems failure.

The CC must ensure that the title to all Police land and buildings is properly recorded at the Land Registry where such interest is capable of registration.

Assets no longer required are to be disposed of at best value or if of no further economic value, to be written off in line with authorities and limits set out in Asset Disposal section 3.8.2.

The CC's Executive Director of Commercial & Financial Services may approve the temporarily letting of surplus police houses.

All assets are depreciated except land, assets in the course of construction, assets held for sale & investment property assets.

Land and buildings are to be recorded in the accounts at current value (in accordance with IFRS 13 *Fair Value Measurement*). All other non-property assets that have short useful lives and/or low values are valued using the depreciated historical cost basis as a proxy for current value.

### 3.8.1 VALUATION

The CC's Executive Director of Commercial & Financial Services must maintain an asset register for all fixed items with a value in excess of the limits shown below, in a form approved by the PCC's CFO. Assets are to be recorded when

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they are acquired by Surrey or Sussex Police. Assets shall remain on the register until disposal. Assets are to be valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and the requirements specified by the PCC's CFO.

Land & Buildings	£100,000
Vehicles	All vehicles
ICT hardware	£25,000
Plant & Equipment	£25,000

Revaluations

Land & building assets in the Balance Sheet at Fair Value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their Fair Value at the year end. Land & buildings are assessed for value by external experts on a rolling three year basis.

Assets under construction (AUC)

AUCs are valued at historic cost and are not depreciated until they are fully completed and transferred to the appropriate fixed asset category.

AUCs are controlled by the Corporate Finance Manager (Sussex/Surrey) who will conduct a full annual review.

Assets held for sale (surplus assets)

Under IFRS assets classified as held for sale are not depreciated and are valued at the lower of the carrying value or fair value (market value) less cost to sell.

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## Depreciation

All assets that are subject to depreciation are depreciated on a straight-line basis commencing in the month after capitalisation. Although depreciation is calculated on the estimated life of the specific individual asset concerned, the approximate average depreciation periods are as follows:

Buildings	25-60 years (as assessed by the valuer)
Equipment	5 years (or as assessed by the business)
Vehicles	3-5 years (depending on vehicle type as assessed by the Transport Manager)
Intangibles	3 years (or as assessed by the business)

### 3.8.2 ASSET DISPOSAL

The CC's Executive Director of Commercial & Financial Services may dispose of all properties with an estimated value of up to £500,000 where:

- disposal of the property is included within the approved estates strategy or otherwise approved by the PCC;
- the property is being disposed of to the highest bidder and the price equals or exceeds the agreed estimate;

The PCC's CFO must be kept informed of all property disposals of up to £500,000 and the Police and Crime Commissioner must be notified of completed disposals in writing.

The disposal of properties with an estimated value above £500,000 may be led by the CC's Executive Director of Commercial & Financial Services in consultation with PCC's CFO but agreement sought from the PCC prior to any exchange of contracts with proposed purchaser.

The CC's Executive Director may approve the disposal of Force goods with an estimated book value under £20,000 that are deemed surplus to requirements or obsolete (*per item*).

The PCC's Executive Director may approve the disposal of any other goods over £20,000.

### 3.8.3 ASSETS UNDER CONSTRUCTION

The CC's Executive Director of Commercial & Financial Services may agree the

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write off of any capital schemes or project costs that are work in progress up to the value of £20,000.

The PCC's CFO may approve the write off of capital schemes or project costs that are work in progress over £20,000.

Amounts written off in excess of £20,000 will be reported to the PCC in Sussex with consideration as a key decision and if necessary will be supported by any action. For amounts written off of £20,000 or more in Surrey, the report would be to the Joint Audit Committee.

### 3.8.4 STOCKS AND STORES

Budget holders and managers should make arrangements for the care and custody of stocks and stores and ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. Any discrepancies should be investigated and pursued to a satisfactory conclusion.

Budget holders may authorise the disposal or write-off of redundant stocks and equipment in accordance with agreed procedures and in consultation with the Corporate Finance Manager (Surrey or Sussex as appropriate) up to £10,000 per financial year.

The CC's Executive Director of Commercial & Financial Services may approve the write off of equipment, stock or amendment to stock records by values up to £20,000 and with the Head of Transport delegated to authorise up to £10,000 for redundant vehicles (*per force per financial year*).

The PCC's CFO may approve the write off of equipment, stock or amendment to stock records by values over £20,000.

Amounts written off in excess of £20,000 will be reported to the PCC with consideration as a key decision and/or any further necessary action.

### 3.8.5 INVENTORIES

The CC's Executive Director of Commercial & Financial Services should ensure that appropriate systems are in place for the security and recording of portable and desirable equipment to help minimise risk and loss to the organisation.

Examples of portable and desirable equipment include:

- Audio/Visual – TV's, Tape Recorders, DVD/Blu-Ray Players, Projection Equipment, Body Worn Video, Infrared Viewers, Range Finders

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- Photographic – Cameras, Video Cameras
- Optical Devices – Binoculars, Telescopes
- Weapons - Captor Spray, Firearms/Tasers
- IT/Communications Equipment – Desktop computers, Laptops, Notebooks, Tablet PC's, Printers, Servers, Mobile Phones, Tablets and Airwave Handsets.

### 3.8.6 INTELLECTUAL PROPERTY

Any intellectual property created by an officer or member of staff of the PCC or the CC during the course of their employment is deemed to belong to the Corporations sole of the PCC or CC and not the officer or member of staff. Examples of intellectual property are the creation of specific pieces of computer software, spreadsheet templates, particular inventions or written solutions to managerial or operational problems.

In the event that the PCC or CC decides to commercially exploit intellectual property, matters should only proceed after taking appropriate legal advice to ensure that the PCC or CC's rights in the intellectual property are properly protected by patents for example.

The PCC's CFO & the CC's Executive Director of Commercial & Financial Services must ensure that the accounting arrangements to be adopted relating to Intellectual Property Rights are satisfactory and appropriate. The PCC's CE must be consulted as to the overall governance arrangements and legal issues when Intellectual Property Rights are a component of proposed agreements with external bodies.

### 3.9 TREASURY MANAGEMENT

The PCC will ensure that the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (The Code) are adopted.

The PCC will approve the Annual Treasury Management Policy, which will state the policies and objectives and approach to risk management of its treasury management activities.

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

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

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An annual Investment Strategy setting out the approach to investment and borrowing

The approved policies and practices will be submitted to the Joint Audit Committee for review on an annual basis. The Committee will be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

The PCC's CFO will implement and monitor treasury management policies and practices in line with the CIPFA Code and other professional guidance.

The PCC's CFO will prepare treasury management reports for the PCC on policies, practices and activities, including as a minimum, an annual strategy, a mid-year monitoring report and an annual report.

The PCC's CFO will ensure that all borrowings and investments are made in compliance with the CIPFA code and in the name of the PCC.

### 3.10 CASH AND BANKING

The PCC's CFO has overall responsibility for banking arrangements and is the only individual with authority to open and close bank accounts.

The PCC's CFO must produce in consultation with the CC's CFO a policy on the maintenance of bank accounts, which as a minimum will include the following requirements:-

- all bank accounts to be reconciled on a monthly basis;
- receipts to be issued for all cash seized or obtained by other means;
- all cash held prior to banking to be retained in a secure safe;
- all cash to be banked within 7 working days of the receipt, unless retained for evidence or sent for destruction;
- all bank mandates to be reviewed and updated annually;
- clear instructions to be maintained and issued to all personnel who handle cash.

The CCs Executive Director of Commercial & Financial Services will prepare detailed financial instructions for dealing with petty cash and these shall be issued to the appropriate officers and staff.

The petty cash system provides appropriate officers and staff with the cash, bank imprest accounts or pre-paid cash cards to meet minor expenditure. The CCs' Executive Director will determine reasonable petty cash limits and ensure that a record is maintained of all transactions and petty cash advances made, and periodically review the arrangements for the safe custody and control of these advances.



### 3.11 MONEY LAUNDERING

To be alert to the possibility that forces might become the subject of an attempted money laundering transaction, suspicious cash deposits in any currency in excess of £10,000 (or equivalent) should be reported to the Serious Organised Crime Agency (SOCA).

The PCC's CFO is the nominated Money Laundering Reporting Officer and will decide whether a particular transaction gives rise to a suspicion or concern that should be reported to SOCA.

The PCC's CFO & the CC's Executive Director of Commercial & Financial Services have a responsibility to ensure that within their respective corporations they undertake appropriate checks to ensure that all new suppliers and counterparties are bona fide.

There is a duty on all officers and staff of the PCC and CC to inform the PCC's CFO if they receive information which may result in them knowing or having reasonable grounds for knowing or suspecting money laundering, fraud or use of the proceeds of crime.

### 3.12 ADMINISTRATION OF EVIDENTIAL & NON-EVIDENTIAL PROPERTY

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

The CC will determine procedures for the safekeeping of the private property of a person, other than a member of staff, under his guardianship or supervision and ensure that these procedures are drawn to the attention of all appropriate officers and members of staff.

There is a duty on all officers and staff to notify the CC in the case of loss or diminution in the value of such private property.

### 3.13 TRUST FUNDS

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

No employee shall open a trust fund without the specific approval of the Chief Constable and PCC's CFO in consultation with the PCC.

## 4. FINANCIAL SYSTEMS AND PROCEDURES

### 4.1 INTRODUCTION

The PCC's CFO & the CC's Executive Director of Commercial & Financial Services have a statutory responsibility to ensure that the financial systems used by both the PCC and CC are sound, are populated with accurate data, are well administered and contain controls that ensure that transactions are properly processed and errors detected promptly.

The CC through his/her CFO is responsible for operating accounting systems, which must be kept in a form approved by the PCC's CFO in order to allow the PCC's CFO to meet his/her statutory obligation to compile the PCC Group Accounts.

The CC's Executive Director of Commercial & Financial Services is responsible for ensuring that a complete audit trail is maintained that allows for all financial transactions to be traced from the accounting records to the original document and vice versa.

The CC must ensure officers and staff using any financial system or procedure receive relevant and appropriate financial training that has been approved by the CC's Executive Director.

The PCC must ensure that all PCC staff receive relevant financial training that has been approved by the PCC's CFO.

The CC's Executive Director must ensure that there is a documented and tested business continuity plan to allow key system processing to resume quickly in the event of an interruption. Effective contingency arrangements, including back up procedures, are to be in place to deal with any failure in the computer systems.

### 4.2 INCOME

The PCC and CC should adopt the National Police Chiefs Council (NPCC) national charging policies and national guidance when applying charges under Section 25 of the Police Act 1996 and bear in mind that the purpose of charging for special services is that those using them should normally pay for them.

The CC's Executive Director of Commercial & Financial Services should agree a charging policy for the supply of goods and services, including the appropriate charging of VAT and to review it in line with force operational policies. All charges should be on a full cost recovery basis except where regulations require otherwise or an alternative basis is agreed by the CC, Executive Director of Commercial & Financial Services or PCC's CFO, and income fully recovered and banked

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promptly.

The approval of charging for policing services is set out in section 5.3 – Work for External Bodies. The policy and process for the management and use of income from Police Property Act Fund (PPAF) and Proceeds of Crime Act (POCA) will be agreed by Police and Crime Commissioner on an annual basis.

The writing off of bad debt can be authorised by either the PCC's CFO or the CC's Executive Director of Commercial & Financial Services in respect of their own corporations up to a value of £10,000 for individual bad debt cases and £25,000 cumulatively in any one financial year. The write off of bad debts greater than these limits requires the approval of both CC's Executive Director of Commercial & Financial Services and PCC's CFO up to a maximum of a cumulative value of £50,000 in any one financial year.

In Surrey, the Joint Audit Committee should be presented with an annual schedule of all debts written off and will consider, where appropriate, the writing off of debts in excess of the CFOs delegated authority.

In Sussex, the PCC will approve where appropriate the writing off of debts in excess of the CFOs delegated authority. This is due to a variation in the terms of reference of the respective Audit Committees in Surrey and Sussex.

#### 4.3 PAYMENTS TO EMPLOYEES

The CC, through the CC's Executive Director of Commercial & Financial Services, is responsible for all payments of salaries and wages to all employees, including payments for overtime and allowances and police pensions.

The PCC's CE is responsible for ensuring that all officers and staff working for the PCC are correctly paid all allowances, salaries and wages to which they are entitled.

Payroll transactions shall only be processed through the payroll system and payments to individuals employed on a self-employed consultant or subcontract basis, shall only be made in accordance with HM Revenue & Custom's (HMRC) requirements. If in doubt about the status of an individual to whom payments are to be made advice should be sought from HMRC.

#### 4.4 TAXATION

The CCs' Executive Director of Commercial & Financial Services and the PCCs' CFOs have a responsibility to advise the PCC and the CC respectively on all taxation issues.

The CC through the CC's Executive Director is responsible for maintaining the

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tax records and for directing that all tax payments that fall due are processed, all tax credits are received and tax returns submitted by their due date.

### 4.5 ORDERING & PAYING FOR WORK, GOODS AND SERVICES

All orders for the supply of Work, Goods and Services must comply with Contract Standing Orders including the Government Procurement Card (GPC).

The Head of the Joint Procurement Service will issue guidance and instructions to staff on the procurement process.

All technology related purchases need to be directed through the IT department.

### 4.6 PURCHASE CARDS AND EXPENSES

Purchase cards, are usually issued to staff who regularly order goods and services, with the aim of reducing the transaction costs associated with processing high volume low value transactions. Additionally, purchase cards are issued to senior staff and police officers (equivalent to Chief Superintendent and above) to allow them to pay for personal expenses necessarily and exclusively incurred while carrying out official police business. Under no circumstances should a Purchase Card be used to pay for any personal expenses that are not incurred as a direct result of carrying out official police business.

Holders of purchasing cards will be responsible for ordering and paying for goods and services in accordance with Contract Standing Orders and procedures laid down by the CC's Executive Director of Commercial & Financial Services.

### 4.7 COMPENSATION AND EX GRATIA PAYMENTS

The CC or CC's Executive Director of Commercial & Financial Services may approve the financial settlement of claims or requests for compensation felt to be non-significant if the compensation to be paid is £100,000 or less except in the case of accident claims where the threshold will be £250,000 or less (to include multiple or linked claims/claimants and including legal costs). Claims will be considered non-significant if:-

- they do not involve a high profile claimant including Association of Chief Police Officer rank police officers;
- there is no particular public interest in the case;
- there is no real risk that the Police and Crime Commissioner or the Chief Constable will be exposed to serious public criticism, or serious weaknesses in the organisation's policies and procedures will be revealed;
- it is not in the nature of a test case.

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An ex gratia payment is a payment made in circumstances where there is no legal obligation to make such a payment. An example of an ex gratia payment would be where a police officer were recompensed for damage done to personal property in the execution of his/her duty or to a member of the public for providing assistance to a police officer in the execution of his/her duty.

The CC or CC's Executive Director of Commercial & Financial Services may authorise ex-gratia payments up to the value of £10,000. Any claims beyond £10,000 should only be made by the PCC, having taken appropriate legal advice.

The CC may approve the settlement of employment tribunal cases and grievances of staff and other employee related compensation payments for staff under the direction and control of the Chief Constable with the exception of those cases felt to be exceptional because:-

- they involve a high profile claimant;
- here is a particular public interest in the case;
- there is a real risk that the Police and Crime Commissioner or Chief Constable will be exposed to serious public criticism or serious weaknesses in the organisation or policies and procedures will be revealed.

All employee related payments over £50,000 may only be approved in line with current legislation and after consultation and agreement by the CC's Executive Director of Commercial & Financial Services and CC or PCC.

### 4.8 GIFTS, LOANS & SPONSORSHIP

The PCC's CFO & the CC's Executive Director of Commercial & Financial Services are responsible for ensuring that all gifts of money, gifts or loans of other property, including sponsorship, which are received by the PCC or the CC or their officers or staff, are properly recorded in accordance with the relevant policy. As a general rule officers and staff may only accept gifts of low intrinsic value.

The PCC or the CC may accept gifts, loans and sponsorship from any source which has genuine and well-intentioned reasons for wishing to support specific police projects. In return the provider may expect some publicity or other acknowledgement, such as displaying an organisation's name or logo. This is acceptable provided that it does not dominate or detract from the purpose of the supported project.

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

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Gifts and loans and sponsorship should not be accepted where there is a risk of offending the integrity or propriety of the police.

Priority shall be given to meeting the needs of the PCC or CCs rather than those of any sponsor and care should be taken to avoid association with inappropriate sponsors, giving the impression that sponsors have accrued a commercial advantage, entering into projects of dubious or limited benefit and allowing unacceptable conditions to be attached to sponsorships.

The total value of gifts, loans and sponsorship accepted should not exceed a maximum equivalent value of 1% of the Force annual Net Budget Requirement.

Both the CC's Executive Director of Commercial & Financial Services and the PCC's CFOs must ensure that registers for the Office of the PCC and the Force are maintained which respectively record, all gifts of money, gifts or loans of other property, including sponsorship.

### 4.9 HOSPITALITY

No expenditure on alcohol is permitted in external hospitality situations. All hospitality received should be reasonable in nature and clearly related to work activity. The Head of Professional Standards will issue advice and guidance on the acceptance of hospitality.

## 5. EXTERNAL ARRANGEMENTS

### 5.1 JOINT WORKING ARRANGEMENTS

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

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

- before entering into the agreement, a risk assessment must be prepared
- such agreements must not impact adversely upon the services provided by the PCC or CC.
- project appraisal is in place to assess the viability of the project in terms of resources, staffing and expertise
- all arrangements are properly documented
- regular communication is held with other partners throughout the project in order to achieve the most successful outcome
- audit and control requirements are satisfied

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- accounting and taxation requirements, particularly VAT, are understood fully and complied with
- an appropriate exit strategy has been produced

### 5.1.1 PARTNERSHIPS

The PCC and the CC provide distinctive leadership roles within the community to make Surrey and Sussex safer through effective and efficient delivery of the right police services for the county. This role can be enhanced through working in successful partnership with other organisations.

Partnerships typically fall into three main categories: Statutory (e.g. Community Safety Partnerships, Local Strategic Partnerships), Strategic (partnerships set up to deliver core policing objectives), and Ad-hoc (locally based informal arrangements agreed by local senior police officers).

Under Section 10 of the Police Reform and Social Responsibility Act 2011, the PCC is given the responsibility for co-operative working. This allows, within the constraints of the relevant funding streams, the PCC to pool funding as they and their local partners deem appropriate. The PCC can commission services or award grants to organisations or bodies that they consider will support their community safety priorities in accordance with their Police and Crime Plan. They may do this individually or collectively with other local partners including non-policing bodies. The PCC must have regard to the relevant priorities of each responsible authority and take account of these when setting the Police & Crime Plan.

When the PCC commissions services, agreement is required on the shared priorities and outcomes expected to be delivered through the contract or grant agreement with each provider. Ring-fenced provision of crime and disorder grants is allowed 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.

The PCC has a responsibility to make appropriate arrangements to commission services from either the Force or external providers, following consultation with the CC. The PCC's CFO should be consulted as soon as possible so that advice can be given regarding appropriate accounting arrangements and correct taxation treatment.

It is important to ensure that risk management and project appraisals are in place to assess the viability – both on initiation and on an on-going basis – of all

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external arrangements and an exit strategy is prepared.

A Memorandum of Understanding (MOU) setting out appropriate governance for partnership projects should be drawn up and signed by the PCC's CE or relevant CC Chief Officer.

The CC's Executive Director of Commercial & Financial Services, or PCC Chief Executive may approve partnership agreements for their respective corporation soles with a financial contribution of up to £500,000 (in cash or equivalent resourcing costs in kind) over the term of the agreement. Partnership agreements over £500,000 must be approved by the PCC.

The PCC's CFO must report to the PCC if financial expenditure exceeds the budget given to achieve the objectives set out in the Police & Crime Plan where services are commissioned within community initiatives,

### 5.1.2 CONSORTIUM ARRANGEMENTS

A consortium is a long-term joint working arrangement with other bodies, operating with a formal legal structure approved by the PCC. Before such an arrangement is entered into, the PCC's CE will establish that the correct legal framework is being used to formalise the arrangement.

The PCC's CFO should be consulted as soon as possible so that advice can be given regarding the treatment of taxation and other accounting arrangements.

A fully costed business case must be produced showing the full economic benefits and associated risks that are foreseen as arising from participation in the consortium.

An MOU setting out appropriate governance for each proposed project should be drawn up and signed by the PCC's CE.

### 5.1.3 COLLABORATION

Under sections 22A to 22C of the Police Act 1996 as amended by section 89 of the Police Reform and Social Responsibility Act 2011, CCs and PCCs have the legal power and duty to enter into collaboration agreements to improve the efficiency or effectiveness of one or more police forces or PCC's Offices. Any collaboration which relates to the functions of a police force must first be agreed with the CC of the force concerned.



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The PCC shall hold the CC to account for any collaboration in which the Force is involved.

Any proposal for collaboration must be discussed with both the PCC's CFO and the CC's Executive Director of Commercial & Financial Services.

### 5.2 FUNDS FROM EXTERNAL AGENCIES

Funds from external agencies can and do provide additional resources to enable the CC to deliver his/her policing objectives. The main source of such funds will be specific government grants, additional contributions from local authorities (e.g. for ANPR, CCTV and additional PCSOs) and donations from third parties (e.g. towards capital expenditure).

It is the responsibility of the PCC's CFO & the CC's Executive Director of Commercial & Financial Services to ensure that all funding notified by external bodies is received and properly accounted for and that all claims for funds are made by the due date and that any audit requirements specified in the funding agreement are met.

The CC must ensure that any conditions placed on the PCC or CC in relation to external funding are in accordance with the approved policies of the PCC. If there is a conflict this needs to be taken to the PCC for resolution.

### 5.3 WORK FOR EXTERNAL BODIES

If the PCC or CC provides services to other bodies outside of its normal obligations, charges should be made e.g. training, special services etc. Arrangements should be in place to ensure that any risks associated with this work are minimised and that such work is not ultra vires and that normal work is not compromised by providing services externally.

The CC's Executive Director of Commercial & Financial Services should ensure that proposals for the provision of such services are properly costed, that no contract is subsidised by the Force and that, where possible, payment is received in advance of the delivery of the service, so that there is no risk from any liabilities such as bad debts.

The CC's Executive Director must ensure that appropriate insurance arrangements are in place and that all contracts are properly documented.

The CC's Executive Director may approve all agreements for provision of police services to other organisations with a value below £500,000. (This does not apply to the provision on mutual aid by the Chief Constable to another force)

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under Section 24 of the Police Act 1996, or the provision of advice or assistance to international organisations under the Police Act 1996, which are operational matters. However these are subject to consultation with the Police and Crime Commissioner).

The submission of tenders for the supply of goods and/or services should be approved in line with Contract Standing Orders.

## APPENDICES

### A. **PROTOCOL BETWEEN THE CC & THE PCC'S CFO FOR FUNDING SPECIAL UNBUDGETED OPERATIONS**

Notwithstanding the normal arrangements for the creation of Gold Commands and the involvement of the PCC's Office, where the CC believes that necessary expenditure for an operational commitment will exceed the budget at the Force's disposal and therefore create a budget overspend, he/she will arrange a briefing for the PCC's CFO.

Subject to vetting clearance, this briefing may of necessity be limited to the financial consequences of the commitments being entered into. In deciding whether to arrange a briefing, the CC will make no assumption about the availability of special grant, from any source, or the availability of general reserves to support the operation.

In the light of the level of resources committed to the operation and the likely duration of the operation, the CC's Executive Director of Commercial & Financial Services will agree with the CC, in consultation with the PCC, how the financial commitment will be managed.

The CC will be responsible for ensuring that the operation is managed efficiently (including ensuring that the use of mutual aid and overtime will only be when such use is necessary and appropriate) and will brief the PCC's CFO and the PCC on these issues, including providing a risk assessment including the likely impact on the level of general reserves.

The CC will respond to any request made by the PCC's CFO and/or the PCC for information and will arrange for briefings to take place as necessary. The PCC's CFO will ensure that the requirements of the Local Government Finance Act 1988 are complied with and if this is not the case will, following consultation with the PCC's CE and the External Auditor, seek independent legal advice on the necessity to take action under the Act.

The CC will ensure that the costs of the operation are separately identified and that the CC's Executive Director of Commercial & Financial Services highlights them when he/she submits the monthly revenue and capital monitoring reports to the PCC.

The PCC's CFO will ensure that Home Office officials are made aware of the situation at the earliest opportunity should it become likely that a financial claim for support will be made to the Home Office. In this case the PCC's CFO will in consultation with the CC's Executive Director to arrange for a special grant claim to be formulated and submitted to the Home Office, at the earliest

opportunity.

The PCC's CFO will, as appropriate, brief the Joint Audit Committee and External Auditor on the situation and of the steps being taken to ensure that the financial standing of the PCC and Surrey/Sussex Police Force is maintained.

## **B. LIST OF KEY POLICIES AND FINANCIAL INSTRUCTIONS**

- Contract Standing Orders
- Procurement Procedures
- Reserves Policy
- Budget Preparation
- Budget Monitoring
- Budget Management
- Capital Investment Approval
- Capital Accounting
- Asset Inventory
- Asset Purchase and Disposal
- Accounting policies
- Treasury Management
- Banking and Imprest
- Grants claims and monitoring
- Income Generation and Charging
- Donations and Sponsorship from Members of the Public, Companies and other Bodies
- Invoicing and Debt Recovery
- Joint Working Relationship
- Anti-Fraud and Corruption Policy (Sussex and Surrey) – including Confidential Reporting

**C. SCHEDULE OF DELEGATED LIMITS**

		Limits	Responsibility	Ref
Virements		Up to £500,000	CC's CFO	2.3.6
		Over £500,000	PCC	
Property Acquisitions	Acquire Freeholds	Up to £500,000	CC's CFO	2.4
	Acquire Leaseholds	Contract rental value up to £500,000 over lifetime	CC's CFO	
	Grant Lease	Contract rental value up to £500,000 over lifetime	CC's CFO	
Asset Register Records	Land & Buildings	Over £100,000	CC's CFO	3.8.1
	Vehicles	All Vehicles	CC's CFO	
	ICT hardware	Over £25,000	CC's CFO	
	Plant & Equipment	Over £25,000	CC's CFO	
Asset Disposal	Property	Up to £500,000	CC's CFO	3.8.2
	Other	Up to £20,000	CC's CFO	
	Other	Over £20,000	PCC's CFO	
Assets Under Construction (work in progress)	AUC w/off	Up to £20,000	CC's CFO	3.8.3
	AUC w/off	Over £20,000	PCC's CFO	
Money Laundering	Suspicious cash deposits	Over £10,000	PCC's CFO to report to SOCA	3.11
Gifts, Loans and Sponsorships		Up to £50,000	CC	4.8
		Over £50,000	PCC	

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		Limits	Responsibility	Ref
Write off bad debt		Up to £10,000 (individual cases) or up to £25,000 (cumulative)	PCC's CFO or CC's CFO	4.2
		Over £10,000 (individual cases) or up to £50,000 (cumulative)	Both CFO's	
		Above CFOs delegated Authority	Audit Committee (Surrey) PCC (Sussex)	
Write off of stocks and stores		Up to £10,000	Local procedures	3.8.4
		Up to £20,000	CC's CFO	
		Over £20,000	PCC's CFO	
Business Cases for revenue and capital expenditure		Up to £500,000	CC's CFO	2.3.5
		Over £500,000	PCC	2.3.8
Compensation Claims	General Accident	Up to £100,000 (non-Significant)	CC or CC's CFO	4.7
		Up to £250,000 (accident claims)	CC or CC's CFO	
Employee Related Compensation Payments		No limit except that over £50,000 in consultation with relevant legislation & CFO, PCC or CC and exceptional items to PCC)	CC or CC's CFO (CC Employees) PCC or PCC's CFO (PCC Employees)	4.7
Ex-Gratia		Up to £10,000	CC or CC's CFO	4.7
		Over £10,000	PCC (seek legal advice)	
Partnership Agreements		Up to £500,000	CC's CFO or PCC Chief Executive	5.1.1
		Over £500,000	PCC	
Provision of police services to other organisations		Up to £500,000	CC's CFO	5.3
		Over £500,000	PCC	

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**D. POLICE OFFICER & POLICE STAFF CERTIFICATE OF COMPLIANCE**

THE FOLLOWING ARE THE SENIOR POLICE OFFICERS & POLICE STAFF WITHIN THE OFFICE OF THE POLICE & CRIME PCC FOR SURREY, THE OFFICE OF THE POLICE & CRIME PCC FOR SUSSEX OR WITHIN SURREY OR SUSSEX POLICE FORCES WITH PRIMARY RESPONSIBILITY FOR ENSURING THAT THE FINANCIAL REGULATIONS ARE PROPERLY UNDERSTOOD AND OBSERVED

Key Post Holders	
OPCC	Force
Police and Crime Commissioners	Chief Constables
PCC Chief Executives	Deputy Chief Constables
PCC Chief Finance Officers	Assistant Chief Constables
	Chief Superintendents
	Head of Departments
	Chief Constable's Executive Director of Commercial & Financial Services
	Assistant Chief Officer
	Chief Information Officer
	Director of People Services

Each individual key post holder listed above is required, upon receipt of the Financial Regulations, to return within one month, a signed dated statement as follows.

I confirm that I have received a copy of the PCC's Financial Regulations and have read and familiarised myself with the contents. I will ensure that, within the area for which I have financial responsibility, the regulations will be complied with. I confirm that all members of my staff have been made aware of those regulations which impact on the activities that they carry out in pursuance of their employment with Surrey or Sussex Police, the Office of the Surrey PCC or the Office of the Sussex PCC.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

Print Name: \_\_\_\_\_

Post: \_\_\_\_\_

Return to: Add names for return