Surrey & Sussex Police Finance Protocol for Collaborated Services

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1. Introduction

This protocol sets out the detailed financial arrangements to be applied in respect of all joint services between Surrey and Sussex Police in line with Section 22A Agreement for Surrey and Sussex Collaboration.

This document should be used and applied alongside the provisions set in the Section 22A agreement and all jointly agreed governance arrangements between Surrey and Sussex Police and Crime Commissioners and Chief Constables including PCC Schemes of Delegation, Financial Regulations, Contract Standing Orders and Force Schemes of Delegation. This protocol relies on the above governance framework being consistent and aligned across Surrey and Sussex Police with any exceptions, i.e. Surrey or Sussex only specific regulations, clearly set out with an explanation of how they will be applied to joint services.

As set out in clause 15.8 of the Section 22a agreement this protocol, and any amendments to it, must be approved by both Surrey and Sussex Police and Crime Commissioners Chief Finance Officer. The protocol is subject to annual review by the Chief Constable Chief Finance Officer (i.e. Executive Director of Commercial and Finance Services for Sussex and Surrey Police) who will report this with any proposed changes, to Police and Crime Commissioners (PCC) Chief Finance Officers.

2. Funding Model

The costs of each Joint Service will be shared according to the provisions set out in section 15, Financial Arrangements, of the Section 22A agreement.

This protocol sets out the details of what costs and income are treated as pooled for the purposes of the cost sharing model at Appendix A. In summary these are:

2.1 Revenue

All direct operational expenses and running costs plus income received in connection with the delivery of a Joint Service will be treated as pooled and shared according to the Net Cost of Services ratio (Surrey 45.44%, Sussex 54.56%) unless otherwise specifically agreed by the Parties. These will be agreed as part of the annual budget setting process.

2.2 Capital and One-Off Investment

Any agreed one off capital or investment costs (for the implementation of a new Joint Service or future requirements) will be apportioned to each Force using the Net Cost Services ratio (Surrey 45.44%, Sussex 54.56%).

Where any implementation costs are deemed as disproportionate these will need to be agreed as part of the capital budget setting process or as part of separate business case

to implement or change a Joint service approved by Senior Leader Team (SLT) and or Strategic Change Board (SCB) and in line with the section 22a agreement.

Chief Constables and PCC's may agree to vary the standard cost sharing approach for implementation costs for new joint services.

Any decisions made regarding an individual member of staff in relation to redundancy, early retirement, ill health retirement or compensation payment that is based on the individual's circumstances rather than an organisation requirement of the joint service will be borne by the employing force making the decision unless otherwise agreed by the relevant senior manager of both Forces.

In cases where capital spend involves an investment in a building owned by a Force, that Force will pay the full cost of the investment, and on-going revenue costs where the business driver for the investment is not the provision of a joint service (e.g. a property refurbishment or structural change such as replacing a roof).

Where a Joint Service has exclusive use of a building the on-going day to day running costs and maintenance of the building (excluding major structural works) and cost of refurbishment or re-configuration of the accommodation will be treated as a pooled cost.

Where a significant investment is required to an asset owned by one of the forces where this investment or use of this asset will benefit both Forces the cost sharing arrangements for this investment will be considered on a case by case basis. (For example; where office space within a building is re-configured solely to meet a joint service requirement this will be shared but cost sharing may not apply in all circumstances).

Vehicle replacements will be included in the Joint Transport Service asset management plan. Where vehicles or capital equipment are utilised in a joint service the asset management plan will split the cost of replacement in accordance with the funding model.

Revenue implications of collaboration pooled capital projects will be charged to revenue and treated as pooled

3. Budget Responsibilities

As set out in section 15 of the Section 22A Agreement the lead Chief Officer for each Joint Service will be the responsible budget holder for all relevant revenue and capital budgets. The lead Chief Officer is expected to prepare annual revenue and capital budget proposals for agreement in line with the agreed budget setting timetable and format directed by the Chief Constables Chief Finance Officer, provide at least three year revenue and capital budget estimates and requirements and manage and report expenditure against approved budgets in line with this protocol.

3.1 Budget Setting

The lead Chief Officer for each joint service budget will prepare annual budget proposals and medium term forecasts using the methodology, format, and to timescales, agreed annually by the Chief Constable's Chief Finance Officer (Executive Director of Commercial and Finance Services for Surrey and Sussex Police). This will normally be provided to Chief Officers by 30 June.

Joint Service budgets will be incorporated in Forces overall budget plans. The outline budget timetable will be:

- first draft proposals between August and October
- draft proposals to Chief Constables November and December
- draft proposals for additional funding and new capital investment to Police and Crime Commissioners between November and January
- final budget agreed between February and March

In preparing budget plans the lead Chief Officer will have regard to all pooled costs that are estimated to be incurred in delivery of the Joint Service, new requirements, planned efficiency improvements and cost reductions and the potential for income generation.

The common budget setting methodology will set out the approach to be taken in preparing estimates for each individual budget line. A de-minimis level for new investments will be included in the budget setting methodology.

As a minimum the budget proposals should include:

- breakdown of pay and pay related budgets by cost and establishment (FTE) by rank and grade.
- total budget for joint services by Service/Unit including explanation of key changes
- non pay budget by cost and income to individual line (subjectivecode)
- total budget contribution for each force
- explanation of new cost pressures, investment and savingproposals.

In respect of any proposals for increases in resources, saving proposals or new capital investment proposals the lead Chief Officer will be required to prepare a business case for approval inline with the Investment Process (in the format advised by Chief Constable's Chief Finance Officer). ~~Capital bids will be subject to scrutiny at the CFO Review Board and recommended to Chief Officers.~~ Chief Officers will give final approval to capital and revenue budget proposals to be presented to the respective PCC's for their approval.

The Finance team will create a budget for a shared cost activity based on the following steps; the pay budget is built from establishment, other costs are built up based on where they are anticipated to fall. The cost share ratio is then applied to the joint budget and respective recharge/income budget to the respective forces.

For establishment control guidance refer to the Chief Constable's Scheme of Delegation.

3.2 Budget Management Responsibilities

The lead Chief Officer for each Joint Service is expected to manage the approved budget in line with PCC and Force Schemes of Delegation, Contract Standing Orders and Financial Regulations which apply to both forces. These set out the requirements, flexibilities and approval thresholds for managing expenditure and income commitments including new and existing contractual commitments.

In the event that PCC and Force Schemes of Delegation, Contract Standing Orders and Financial Regulations differ between Surrey and Sussex the arrangements in place for the Lead Force shall apply (both Forces have joint governance documents with a few exceptions).

The lead Chief Officer should formally delegate budget responsibility to appropriate levels within the Joint Service, as a minimum this should be at Head of Service or Unit level. The lead Chief Officer and delegated budget holders will be expected to sign an accountability letter confirming budget responsibilities.

3.3 Budget Reporting

The lead Chief Officer and delegated budget holders for each Joint Service are responsible for agreeing with the Finance Team on a monthly:

- forecast expenditure and income for the year
- any risks and issues with financial implications
- any management action plans or proposals for the year

The reporting format and timetable for this will be agreed annually by the Chief Constable's Chief Finance Officer. This will normally be provided to Chief Officers by 30 April. The first report of the financial year will be provided in June relating to May (month 2).

Collaboration financial reports will form part of the finance performance report to Chief Officer Teams/PCC's in both Forces.

Each Force will set up reporting structures that mirror each other to provide consistent cost collection and reporting.

Agreement on the clarity on the functions that are to cost shared and those non cost shared will be set out clearly in the report to CC's and PCC's for each joint service. The Chief Finance Officers will maintain a register of services and projects that are cost shared based on Chief Constable and PCC approval for on-going services and Portfolio Strategy Board for capital investment or project costs. Specific activities that are not within collaboration will be listed in this document at appendix 2 and kept under

review.

Each Force will report functional activity where it is wholly collaborated and cost shared separately from non-cost shared activity, such as Operations will be reported as Operations – Collaborated and Operations Non-Collaborated.

The Finance Team will provide consolidated financial monitoring and performance information to the Chief Officer Lead and delegated budget holders. The Finance Team will provide details of actual (including accruals/prepayments) and forecast costs and income in the standard format prescribed, to the agreed monthly timetable, to enable full and effective financial monitoring and control.

In year budget changes will be proposed and in accordance with the Investment Process included in the CC Scheme of Delegation.

In the event of any significant forecast over commitment of budget the lead Chief Officer will be required to propose an action plan of how the over spend can be recovered throughout the remainder of the financial year for agreement by Chief Officers.

Significant financial risks or issues will be reported to Chief Officers.

3.4 Finance Support

The Finance Team will provide support and advice to the lead Chief Officer and delegated budget holder(s) including:

- preparing annual budget proposals and at least (or as directed by the CC CFO) three year estimates
- advising on business cases for new revenue or capital investment and savings proposals, including assessment and analysis of financials.
- in year financial forecasting
- assessment of financial implications of operational and other risks and issues
- management action plans
- monthly budget monitoring information for both forces

The Finance Team will be responsible for preparing the schedule of contributions for each Force for each relevant Joint Service and processing the necessary re-charging and invoicing between forces as set out below.

Invoicing Arrangements

A schedule and reconciliation of costs for invoicing will be prepared ~~by the relevant Finance Business Partner for the lead Force for each Joint Service.~~and consolidated into a single invoice ~~will be prepared, raised~~monthly. ~~monthly, which~~The reconciliation will be the basis for raising a purchase order which will be signed ~~will include a summary of the approved cost sharing activities. To be signed~~ off by the CFO (or deputy) before being raised.

3.5 In Year Invoicing

Invoicing will be on a monthly in arrears basis for all Joint Services, i.e. actual costs raised for the previous month.

The invoicing will be based on the actual cost incurred for the respective period. A monthly schedule of ~~estimated~~ contributions due to/from each force for each Joint Service will be prepared by the Finance Team.

The amount of each invoice will be calculated based on actual costs incurred, the share of total costs for the previous month less direct costs incurred by each Force.

~~Standard invoices will include subjective level details on pay and non-pay budget contribution for revenue expenditure and the necessary information for capital expenditure to allow both Forces to account for their respective assets correctly. Actual invoices should contain information at sufficient detail to allow both Forces to fully account for their share of the joint service.~~

Information, at sufficient detail to allow both Forces to fully account for their share of the joint service, will be prepared and shared between forces within 3 weeks of the month end; payments will be made on the next payment run following receipt of each invoice.

In the event of dispute and/or excessive delay to collaboration recharge invoicing between Surrey Police and Sussex Police, either a payment on account will be made by the due date whilst the issue is resolved, or interest will be chargeable ~~at rates that would have been achieved by the Treasury Management function during that time period~~as per the terms & conditions of the invoice.

In the case of disputed invoices, the Chief Constables, Chief Finance Officer (Executive Director of Commercial and Finance Services for Surrey and Sussex Police) will determine the outcome.

3.6 Year End Invoicing and Reporting and Accounting

The Finance Team will prepare a financial statement of revenue and capital expenditure ~~against budget~~ for the year for each Joint Service by 30 April for inclusion in both force's annual Statement of Accounts. This will include:

- total revenue expenditure for the Joint Service for the year
- total capital expenditure for the Joint Service for the year
- each force's contribution to total revenue and capital costs for the year
- net contribution to/from each force (taking into account direct costs incurred by each force)
- reconciliation of actual net contribution to invoiced net contributions during the year

- balance sheet items as appropriate to each collaboration.

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A final invoice for the year will be raised by 30 April of the following financial year to reflect the difference between invoiced contributions during the year and the actual net contribution calculated at year end (taking into account accruals/prepayments and stock adjustments). This is payable ~~within 14 days~~on the next payment run following receipt of the invoice.

3.7 Value Added Tax

Invoices for contributions from both forces will be subject to VAT. Chief Constables and Police and Crime Commissioners are able to recover most VAT payable and are required to pay over relevant amounts to HMRC. Accounting requirements for VAT will be carried out as part of the VAT arrangements of the Finance Team.

4. Statement of Accounts and Accounting Policies

Annual Accounts are to be prepared in accordance with the latest accounting code as defined by CIPFA. This includes completion of year end returns and Whole of Government Accounts submission. ~~In the event that~~If there is a surplus or deficit on each joint service, this will be accounted for by each force in line with the agreed funding model. Each force should account for their net contribution in their annual accounts.

The financial year for accounting purposes will end on the 31 March each year.

~~The Finance Team~~The Executive Director, Commercial & Finance Services ~~-~~is responsible for maintaining a proper accounting system for Joint Services and annually preparing a Balance Sheet and Income and Expenditure Account. (Simple income and expenditure basis in line with agreed pooled expenditure and investments).

Either Force can request that the expenditure incurred and charged by either Force be subject to internal or external audit without objection. All accounting records and documentation in respect of the joint service is freely available to either Force or their appointed internal and external auditors.

As part of the internal audit plan there will be a cyclical review of collaboration arrangements by the lead Force of a particular function.

Following any audit, ~~in the event that~~if the outturn position for a Joint Service is amended, any change in expenditure will be shared in line with the agreed funding model.

Forces will adopt an open book approach to accounting. The accounts relating to Joint Services shall be open to inspection by the non-lead force Chief Constable and Police and Crime Commissioner and CFO's.

All reserves and provisions will be maintained/held separately by each Police and Crime Commissioner. Any agreement with respect to holding of reserves or provisions that relate to the activity of a Joint Service will be reflected as required within the individual accounts and financial strategies of each Police and Crime Commissioner and Chief Constable.

5. Assets

The arrangements and responsibilities for purchase, disposals and management of pre-existing and new assets are set out in Section 16 Assets of the Section 22A Agreement subject to compliance with statutory and regulatory requirements including IFRS and the latest accounting code as defined by CIPFA.

The use of approval limits for purchase and disposal should be in accordance with Schemes of Delegation, Contract Standing Orders, Financial Regulations and Asset Management Plans. ~~In the event that~~If Schemes of Delegation, Contract Standing Orders and Financial Regulations differ between Surrey and Sussex the arrangements in place for the Lead Force shall apply.

In summary:

- each Force is responsible for maintenance and upkeep of all land and property assets owned by their respective Police and Crime Commissioners
- lead Chief Officer for each Joint Service is responsible for management and maintenance of vehicles, IT and other equipment directly used by Joint Service, in line with Financial Regulations and any requirements set out by Joint Heads of Service (Transport and IT)
- lead Chief Officer for each Joint Service is required to maintain an asset register of all assets used specifically for the delivery of the service as determined by the Chief Constable's Chief Finance Officer (Executive Director of Commercial and Finance Services for Surrey and Sussex Police)
- existing assets remain on the balance sheet of the current Force. Any proceeds of sale go directly to that Force.
- new equipment assets will be jointly funded and utilised but held on the balance sheet of the Lead Force. Any proceeds on disposal will be shared according to the Section 22A agreement.
- vehicle replacement will be included in the fleet asset management plan and vehicles funded by the respective force.

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Appendix 1: Pooled Costs, Surrey & Sussex Police Finance Protocol for Collaborated Services

The following summarises what specific costs should be treated as pooled costs and included within the budget and accounts for a Joint Service and where they are specifically excluded. ~~The below groupings are based on the CIPFA agreed Common Chart of Accounts – CCoA.~~

Clarity on the functions that are within collaboration and cost shared needs to established. Specific activities that are not within collaboration will be listed in this document and kept under review;

Where a function is grant funded and has a nil cost to the Force is deemed not part of collaboration. In particular – Bagshott Park within Protection Group, Counter Terrorism Policing South East, and Gatwick.

There are also national and regional functions that are funded by various formulae and are not part of collaboration and include SEROCU and NPAS.

Only costs incurred directly and because of delivery of the Joint Service will be included in the pooled budget.

The costs of direct support functions only will be included in the pooled budget e.g. tape summarisers. Other support functions will not be cross-charged into a pooled budget, these maybe a separate Joint Service or ~~e.g. Finance, IT, HR, Estates; Facilities; Secretarial support, Health and Safety; Corporate Communications; Corporate Development and Change Delivery~~ will be funded by the individual Force.

Costs relating to collaborated services that are accounted for centrally will be allocated on an agreed consistent methodology.

Group	Notes
Pay and Employment Costs	All costs associated with and directly attributable to employment for staff within agreed establishment including; pay, allowances, overtime, employers national insurance and pension contributions, agency staff and fees, exceptional advertising for recruitment, staff relocation and training expenses, optical, medical, subsistence, various travel/mileage costs. Each Force accepts that the terms and conditions of employment in each Force differ. Training and external courses. Actual costs will be charged to cost centres during the year.

	~~All purchase of capital equipment, project implementation costs, IT system changes, staff property moves, redundancy and relocation costs associated with the implementation or changes to a Joint Service will be considered as pooled (refer to 2.2)~~ Beyond the implementation phase each Force meets the costs of ill health or early retirement (refer to 2.2) Overtime – User pays is the approved approach
Premises Related Expenditure	The costs of exceptional one off property refurbishment and office moves may be included as a pooled cost subject to business case agreement associated with the implementation or development of Joint Service. The cost of rent, rates, utilities and maintenance for premises that are used specifically and solely for the joint service over 85% occupancy. All other premises cost in relation to shared buildings and land used for joint services will be treated as non-pooled costs and met by asset owner. This includes premises capital investments. Depreciation is excluded from the pooled budget.
Transport Expenditure	All direct costs associated with and directly attributable to use of vehicles by a joint service. This includes fuel, repairs, servicing and parts according to charges set by the Joint Transport Service are included. This means vehicle running costs will be initially charged directly to the vehicles home cost centre and then included in the pooled budget reconciliation on a quarterly basis. All eligible travel expenses incurred by staff working for the Joint Service. Motor insurance is excluded. Costs of Superintendent vehicles relating to the joint service (including private mileage income). Depreciation excluded.
Supplies and Services	All costs of purchase and maintenance of equipment used for the delivery of the joint service. Costs of external support to implement new systems or process for

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	a joint service. All eligible subsistence and other expenses incurred by staff working for the joint service. Telephones, mobile phones; office expenses; publicity and marketing; IT equipment; consumables; IT licences, system maintenance contract expenditure that relate to a specific Force will not be cost shared. Any system that is deployed for the benefit of both Forces may be included in the cost sharing arrangement subject to formal agreement at Portfolio Strategy Board. External and internal audit costs excluded from cost share.
Third Party Payments	All costs of contractual commitments with third party providers for delivery of a Joint Service. Civil and motor claim costs – excluded from cost sharing
Capital Adjustments	Revenue contributions to capital included. Charges related to balance sheet transactions e.g. asset valuations and depreciation to be excluded. (refer to 2.2)
Transfers to Reserves	No transfers to be treated as pooled.
Reconciling Items	No charges to be treated as pooled.
Income	Grants received with specific purpose relating the provision of, and where eligible expenditure is incurred by, a Joint Service. Third party income that is received as a direct consequence of delivery of a Joint Service. Proceeds from the sale of jointly owned assets.
Mutual Aid	Provision of officers from non-collaborated functions on duty to support services in the Section 22A agreement incurs no charge. Any additional cost e.g. overtime, PSU's from other forces, are included in the pooled budget.
Capital	Contribution to purchase of joint service assets On-going revenue costs of investments. (refer to 2.2)

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