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Originator:
Paul D. Trott, Chief Executive

Decision number: D37-2017

Submitted to: Martin Surl, Police & Crime Commissioner for Gloucestershire

Subject: PCC's Chief Finance Officer

Executive summary:

The PCC is required to appoint a Chief Finance Officer (CFO) who must be a qualified accountant. The volume of work involved does not warrant a full time appointment. The role is therefore a part time one. It is possible for the role to be undertaken by someone who holds a similar role with another OPCC or organisation or, subject to certain safeguards, with the CFO for the Chief Constable.

The issue to be determined is whether to appoint the Chief Constable's CFO to become the PCC's CFO on a permanent basis or whether the PCC should seek expressions of interest from those outside the Constabulary.

Recommendation:

That a part-time CFO is recruited on similar terms and conditions to the PCC's former CFO.

Outcome/approval by:

Signature:

Date: 24 October 2017

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<p>Public access to information</p> <p><i>Information in this form and associated reports is subject to the Freedom of Information Act 2000 and the Elected Local Policing Bodies (Specified Information) Order 2011. Where it has been indicated that this is a decision of significant public interest, all of this form except Part Two will be made available on the website of the OPCC.</i></p> <p><i>Any information that should not be automatically available on request should not be included in Part One but instead on a separate Part Two form.</i></p>	
<p>Is this a decision of significant public interest?</p> <p><i>This includes a decision with any impact on the community, expenditure in excess of £50,000, or any decision that would be of obvious interest to the media or the general public</i></p>	<p>Yes</p>
<p>Is there a Part Two form? <i>This section should only include information that, if published:</i></p> <ul style="list-style-type: none"> <i>a) would, in the view of the chief officer of the police, be against the interests of national security;</i> <i>b) might, in the view of the chief officer of police, jeopardise the safety of any person;</i> <i>c) might, in the view of the chief officer of police, prejudice the prevention or detection of crime, the apprehension or prosecution of offenders, or the administration of justice; or</i> <i>d) is prohibited by any enactment.</i> <i>e) breaches commercial sensitivity</i> 	<p>No</p>

Originator checklist (must be completed)	Comments including who has approved the report if applicable
Has legal advice been sought on this submission if required?	Not required
Has the Chief Finance Officer been consulted, if required?	Yes
Have equality, diversity and human rights implications been considered, as appropriate?	Yes

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How is the recommendation consistent with the objectives of the Police and Crime Plan?	N/A
Has consultation been undertaken with people or agencies likely to be affected by the recommendation?	N/A
Has communications advice been sought on areas of likely media, community, staff or partner interest and how they might be managed?	N/A
Have all relevant implications and risks been considered?	Yes

Part One – For publication

1. Purpose of the report

To decide whether the PCC and the Chief Constable should jointly appoint a Chief Finance Officer (CFO) and if so, on what basis.

2. Background

As described in the attached paper prepared by Peter Skelton, the Police Reform and Social Responsibility Act 2011 requires that both the PCC and the Chief Constable must appoint a CFO who will have a number of statutory functions. There is no legal reason why this role cannot be shared between the PCC and the Chief Constable or between two or more PCCs or with any other organisation. The person appointed must however be a qualified accountant.

In Gloucestershire, since the Act first came into force, the members of the Finance Department have been employed by the Chief Constable and have been led by the Head of Finance who has also fulfilled the role of Chief Constable's CFO, while the PCC employed the former Treasurer to the Police Authority on a part time basis as his CFO. The former Treasurer has now retired which has left a vacancy that the PCC is obliged to fill. It would however be hard for the PCC to justify recruiting a full time employee of the necessary seniority due to the significant salary and on costs such a person would command while recruiting someone on a part-time basis would mean that the PCC may be unable to access financial advice when he needs it and could make attendance at meetings by the CFO difficult. For the last twelve months the role has been filled temporarily by the Head of Finance who in addition to his role as CFO to the Chief Constable has also been appointed on an interim basis as CFO to the PCC as well. The greatest advantage of this arrangement is that the CFO works full time within Police HQ and can therefore usually make himself available for either the PCC or the Chief Constable at short notice. The time has now come however when a permanent arrangement needs to be put in place.

There are a number of potential solutions that should be considered including sharing an appointment with another PCC or with a local authority or other

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compatible organisation. However no suitable opportunities for such a shared role have currently been identified. Such an appointment would also give rise to the same issues regarding availability as have been identified in relation to a part-time appointment and could lead to conflicts of interest with the other PCC or local authority.

This means that two options should be considered:

1. To advertise for and appoint a part-time CFO (who may or may not already act in a similar capacity for another PCC, Chief Constable or local authority), or
2. To appoint the current Head of Finance as CFO for both the Chief Constable and the PCC with all the attendant issues relating to potential conflicts of interest and restructuring of the Constabulary's Finance Department as set out in the attached paper.

Any appointment will be subject to notification of the proposed appointee to the Police and Crime who are required to review the proposed appointment and hold a confirmation hearing following which they must make a recommendation to the Commissioner as to whether or not the candidate should be appointed.

3. Recommendation

That a part-time CFO be recruited on similar terms and conditions to the PCC's former CFO. The recruitment process would be open to all qualified candidates including those holding similar roles with another police force, OPCC or local authority. This would not preclude the Head of Finance from applying for the post if he were able to reach an agreement with the Chief Constable to reduce his hours in his present role and restructure the Finance Department accordingly.

4. Financial and resource implications

The financial implications of the various options are set out in the attached paper.

5. Risk assessment

The most significant risk is that of a conflict of interest for the post holder. However, in practice it is considered that the probability of such a conflict occurring is unlikely and if it did, steps could readily be taken to mitigate the risk.

6. Equality & Diversity impact assessment

By virtue of Part 5 of the Equality Act 2010 an employer must not discriminate against a person in the arrangements the employer makes for deciding to whom to offer employment. The risk of discrimination is usually avoided by conducting an open and transparent recruitment process for all appointments. In addition, s.7 of the Local Government and Housing Act 1989 (which applies to PCCs) requires that "every appointment of a person to a paid office or employment ... shall be made on merit". Again the usual method of ensuring compliance with this requirement is to conduct an open and transparent recruitment process. Consequently failure to follow such a recruitment process could expose the PCC to the risk of legal challenge by a prospective applicant who was denied the opportunity to apply for the role and lead to

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criticism from the Police and Crime Panel when the person appointed attends the Panel for his/her confirmation hearing.

7. Environmental impact assessment

Not applicable

8. Consultation

Consultation has been undertaken with the Chief Constable and his CFO.

9. Discussed with Communications & Engagement

Discussions will be held once the preferred option has been decided.

10. Conclusion

Although the appointment of a CFO for the PCC is mandatory it is not without its complications. In an office such as the Gloucestershire OPCC, there is not the volume of work to justify the cost of employing a senior accountant on a full time basis. However, the appointment of a part-time member of staff would provide only limited support to the PCC who needs financial advice that is current and sometimes immediate. Sharing a CFO with another PCC or local authority, even if such a person could be identified, would give rise to the same issues of availability and potential conflicts of interest.

Originator approval

Name: Paul D. Trott

Job title: Chief Executive

Signature:



Date: 19 October 2017

Chief Executive approval

I am satisfied that relevant advice has been taken into account in the preparation of the report and that this is an appropriate request to be submitted to the PCC.

Signature:



Date: 19 October 2017

Report for the PCC and the Chief Constable

Regarding the Joint Chief Finance Officer (CFO) Role

1. **Author** – Peter Skelton, currently acting as Joint CFO for the PCC and the Chief Constable.
2. **Background**
 - 2.1. The Police Reform and Social Responsibility (PRSR) Act 2011 requires the PCC to appoint a Chief Finance Officer.
 - 2.2. The Act also requires the Chief Constable to appoint a Chief Finance Officer.
 - 2.3. When the PCC was first elected the following arrangements were put in place:
 - 2.3.1. The PCC's CFO (Dave Bennett) worked two days per week.
 - 2.3.2. The Chief Constable's CFO (Peter Skelton) works full time and is responsible for managing the Finance Team, which is employed by the Chief Constable.
 - 2.3.3. The two CFOs worked closely together and met on a weekly basis to ensure they were both well informed and gave consistent advice to the PCC and the Constabulary.
 - 2.4. The two CFOs each have a personal fiduciary duty by virtue of their appointment under the PRSR Act. This includes
 - 2.4.1. to safeguard lawfulness and propriety in expenditure and,
 - 2.4.2. responsibility for securing the efficient use of public funds.
 - 2.5. The CFOs also have responsibility for:
 - 2.5.1. Reporting when it appears that expenditure is likely to exceed resources (balanced budget)
 - 2.5.2. Advising on the robustness of the budget
 - 2.5.3. Advising on the adequacy of the reserves (PCC's CFO)
 - 2.5.4. Ensuring the production of the statements of accounts
 - 2.5.5. Liaising with the external auditors
 - 2.5.6. Advising on the application of value for money principles
 - 2.5.7. Advising on the safeguarding of assets.
 - 2.6. Both CFOs must have full access to all relevant financial information.
 - 2.7. The Financial Management Code of Practice for Police Forces states that to enable the CFOs to fulfil their duties they:
 - 2.7.1. Must be a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver strategic objectives sustainably and in the public interest.
 - 2.7.2. Must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the financial strategy.
 - 2.7.3. Must lead the promotion and delivery of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

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- 2.7.4. Must ensure that the finance function is resourced to be fit for purpose.
- 2.8. The CIPFA Statement on the role of the CFO in Policing includes a section on Sharing of CFOs. This states that:
- 2.8.1. Some PCCs and Chief Constables may agree to share a CFO. Where this option is chosen, it is essential that the role is prescribed carefully, and that the two Corporations sole recognise the potential compromises which could arise.
 - 2.8.2. Ultimately the robustness of the arrangement will depend on the level of trust within the working arrangement which exists between the PCC and the Force.
 - 2.8.3. The model which is adopted locally must have built in fail-safe mechanisms, and be capable of responding to any circumstances where the single CFO could be potentially compromised.

3. Issues

On 22nd August 2016 the PCC CFO, Dave Bennett, retired. It was agreed that the Chief Constable's CFO would do both roles on a trial basis and prepare a report reviewing the trial and providing the options for the future.

The following are a personal view of the issues that have arisen during this period:

- 3.1. I believe the PCC has found it easier having a CFO available on a full time basis, rather than two days per week. I have attended OPCC CMTs and Away Days whenever I am available (and been made very welcome in those meetings) and have been able to attend other meetings when required (Fire, Road Safety Partnership).
- 3.2. There is a lot more work involved. This is not just the two days previously done by Dave. I have been more available, as I am full time, which has generated work. Also, recently I have been asked to sit on the Executive Board, and attend Weekly Executive Board. Being a full time member of Executive Board could increase the responsibilities of the role.

The joint role has created more work and hopefully provided an improved service, but needs resourcing if we continue with it. The increased workload has also put pressure on the rest of the Finance team over the last few months.

- 3.3. The joint role is developing into a strategic role. If we continue with this role the CFO will need to spend less time with the Finance Team and more time with the OPCC and the Executive Team.
- 3.4. When I took on the joint CFO role I gave up line management responsibility for Estates and Support Services (including Uniform Stores) but kept line management responsibility for Transport Services. Line management for Estates and Support Services has been with the temporary ACC since the Head of Corporate Services left. Line management for Transport Services is time consuming because of the previous issues there and because of vacancies in the management team, and it has been difficult recently to give this area sufficient support.

We would need to review whether the joint CFO role would have any additional line management responsibilities (apart from Finance and Procurement) and how that will fit in with the future structure for the senior management team within the Constabulary. The Head of Corporate Services role is vacant and a temporary ACC is covering some of those responsibilities. What will the management structure look like when the temporary ACC leaves and how would the joint CFO role fit into that structure?

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The recent management structure for the Constabulary shows the CFO with responsibility for Finance and Procurement, Transport Services, Estates and Support Services and Uniform Stores.

3.5. Every force is different

Seven PCCs and Forces currently share a CFO. I spoke to Clive Barker at Wiltshire and Phil Wells at Bedfordshire when the joint role was proposed and have since spoken with Gary Ridley from Durham. It is apparent that the relationship between the PCC and the Chief Constable is different in every force, as are the governance and budgetary arrangements. There is not a standard answer to whether the shared role will work. However, the joint role will only work if both the PCC and the Chief Constable support the arrangements and there are good working relations between the two organisations.

3.6. It is important that both organisations understand which “hat” the joint CFO is wearing at a particular time. For example:

3.6.1. MEB/WEB – Constabulary hat

The PCC representative at MEB is the Chief Executive. The CFO will only report matters to the PCC if specifically asked to do so.

3.6.2. OPCC CMT – PCC hat

The CFO should not be held to account for Constabulary actions at this meeting.

3.6.3. Governance Board – both hats (PCC and Constabulary)

This has been a problem during the last year for myself when papers were not discussed at MEB and were going directly to Governance Board without discussion within the Constabulary. I was not able to express concerns or issues with my Constabulary hat on before these papers were discussed with the PCC. The DCC has now set arrangements in place to ensure papers go to MEB before going to Governance Board. This shows that good governance arrangements need to be in place for joint roles to work.

3.6.4. Finance Panel – both hats

3.7. If we continue with the joint CFO role we need to ensure that both organisations understand the role and how it works. It would be the responsibility of the joint CFO to ensure this happens. It is important that the joint CFO role explains the role to new members of the senior management teams for both organisations as part of their induction and that all members of the management teams work within the spirit of the structure.

I am conscious that a joint CFO may be perceived by the Constabulary as the PCC's CFO and by the OPCC as the Constabulary's CFO. The CFO has to be seen as acting impartially as the CFO for both organisations.

3.8. I have found it really useful to have a foot in “both camps” over the last year and it has helped me to understand what is going on within the whole organisation. Finance runs through both organisations and I feel that it is a benefit for the whole organisation to have the CFO working for both the Constabulary and the PCC. The PCC is responsible for the allocation of the funding but most of the budget is actually held and spent by the Constabulary.

3.9. The CIPFA Statement refers to potential compromises that could arise. None have arisen during the last 12 months. I have tried to think of specific examples of potential compromises but have not been able to so. The main issue would be if there were a fundamental disagreement between the PCC and the Chief Constable, which would have issues for both organisations.

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3.10. The draft report has been sent to members of the joint Audit Committee and they have been asked for their feedback on the report. The comments from Chris Marshall, Colin Greaves and Mike Nadin are included in Annex B.

4. Options

The report presents three options:

4.1. Option 1A Shared Role - Chief Constable's CFO also undertakes the PCC CFO role:

- 4.1.1. The Chief Constable's CFO also does the PCC CFO role with an SLA between the Chief Constable and the PCC. Suggestions for the contents of the SLA are included in Appendix A.
- 4.1.2. In order to do this the CFO will have to reduce the workload in other areas. This would involve reducing the day to day involvement with the Finance Team and appointing a Head of Finance. Additional line management responsibilities for the CFO within the Constabulary should also be reviewed.
- 4.1.3. The CFO role would benefit from administrative support.
- 4.1.4. The CFO should work in both the OPCC and COG offices and reduce the time spent in Finance.
- 4.1.5. Additional resources would be required within the finance team to support this:
 - 4.1.5.1. The management team is currently reviewing workloads.
 - 4.1.5.2. It is proposed that an additional Senior Finance Officer (scale SO2) would be required to support this.
 - 4.1.5.3. Some posts will need to be regraded because of the additional responsibilities taken on.
- 4.1.6. There should be a dispute procedure. If there is a dispute the joint CFO would revert to the Chief Constable CFO role and the PCC would obtain financial advice from elsewhere. Arrangements would need to be made for the PCC to obtain financial advice.
- 4.1.7. There are a number of options:
 - 4.1.7.1. If the risk of dispute is considered low then arrangements could be made if a dispute occurs.
 - 4.1.7.2. Arrangements could be made with another PCC or public body for their CFO to advise in case of a dispute.
 - 4.1.7.3. Arrangements could be made to place an adviser on a retainer, so they are ready to step in if required and the PCC could quickly obtain advice.
- 4.1.8. If an advisor was appointed on retainer they could
 - 4.1.8.1. Receive financial reports and papers
 - 4.1.8.2. Meet with the CFO twice a year
 - 4.1.8.3. But not attend meetings unless invited.
 - 4.1.8.4. This option would incur additional cost – estimated at around £5k per year (see Financial Implications).
- 4.1.9. Both organisations need to be clear on the role and both management teams need to support the shared role.
- 4.1.10. Advantages

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- 4.1.10.1. The PCC has access to a full time CFO
- 4.1.10.2. Both the PCC and the Chief Constable receive consistent advice
- 4.1.10.3. The CFO has access to all financial information within the Constabulary and the OPCC
- 4.1.10.4. One person at strategic meetings, rather than two.
- 4.1.10.5. The CFO has overview of finances within both organisations.

4.1.11. Disadvantages

- 4.1.11.1. Conflict of interest/potential compromise
The CFO advises the PCC and the Chief Constable. Both will receive consistent advice. This is only likely to be a problem if the PCC and the Chief Constable fundamentally disagree.
- 4.1.11.2. Workload. This option will require additional resources and will cost more than the current budget – see Financial Implications (see section 5).
- 4.1.11.3. The PCC has to hold the Chief Constable to account. The CFO may have to advise the PCC on holding the Chief Constable to account.

4.2. **Option 1B – Shared Role – PCC’s CFO also undertakes the Chief Constable’s CFO role:**

- 4.2.1. There is currently no PCC CFO in post. The PCC would have to appoint a full time CFO.
- 4.2.2. The PCC CFO would also act for the Chief Constable, with an SLA between the PCC and the Chief Constable.
- 4.2.3. As the Finance Team is within the Constabulary the SLA would also have to describe the service provided by the Constabulary to the PCC. If there were a dispute the PCC would have a full time CFO and the management responsibilities for the Finance Team would have to be clear. Under this option should the Finance Team move to the OPCC?
- 4.2.4. Arrangements would have to be made for the Chief Constable to have access to financial advice if there were a dispute.
- 4.2.5. Advantages – as Option 1A:
 - 4.2.5.1. The CFO remains with the PCC if there is a dispute. The PCC holds the funds and is responsible for the budget.
 - 4.2.5.2. We may be able to find a CFO in another Force willing to cover the Chief Constable’s CFO role.
- 4.2.6. Disadvantages – as Option 1A:
 - 4.2.6.1. The CFO may be perceived within the Constabulary to be the PCC’s CFO rather than acting in a joint role. Most of the budget is held and spent by the Constabulary. The CFO would have to ensure that they were seen as impartial.

4.3. **Option 2 – Separate CFOs for the PCC and for the Chief Constable.**

- 4.3.1. The Chief Constable’s CFO is full time and runs the finance team, and could take additional line management responsibility.
- 4.3.2. The costs for the Constabulary would be as per the budget.
- 4.3.3. The PCC would have a separate CFO. The current budget is for two days per week. This could be extended but would increase the cost.
- 4.3.4. If this option is chosen we could explore the option of the PCC sharing a CFO with another PCC or public body. Forest of Dean District Council and Cheltenham Borough Council share a CFO. The PCC may be able to set up an arrangement to share with another PCC.

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4.3.5. The two CFOs would have to ensure that they worked closely together and shared information. This worked well under the previous arrangements.

4.3.6. Advantages:

4.3.6.1. Do not have a conflict of interest for the CFO.

4.3.6.2. Would cost the same, if reverted to two days per week for the PCC CFO.

4.3.7. Disadvantages:

4.3.7.1. The PCC does not have access to a full time CFO.

4.3.7.2. The two CFOs may not provide consistent advice.

4.3.7.3. The PCC CFO may not have access to all information

4.3.7.4. Two CFOs at strategic meetings

4.3.7.5. Two CFOs requesting information and work from the Finance Team.

5. Financial Implications

5.1. The current budgeted cost for 2017/18 (including pension and national insurance contributions) for the two CFOs is £136,272.

	£
PCC - Treasurer (16 hrs)	46,484
Corporate Services CFO (PO11)	89,788
Total	136,272

This is made up of:

5.1.1. PCC's CFO (Treasurer) – salary of £83,164 pro rata for 16 hours (2 days).

5.1.2. The Chief Constable's CFO at PO11 full time (37 hours per week) is on a salary of £68,678.

5.2. During the trial period for the joint role the Chief Constable's CFO's salary has been increased to PO12 to reflect the additional responsibilities - £70,000.

5.3. The Finance SMT has reviewed the workloads under the joint arrangement and is of the view that an additional Senior Finance Officer (at SO2) would be required to take on the additional work. This would involve changing the workloads for the SMT and transferring work to the Senior Finance Officer post.

5.4. There may also be grade changes for the Chief Finance Officer and some of the Finance SMT. These posts would have to be evaluated with the additional responsibilities. For these costings it is assumed that three posts increase by one grade.

5.5. The budgeted costs would therefore be £145,132:

	£
Joint CFO (PO12)	95,921
Grade changes - Finance SMT	8,055
Senior Finance Officer (SO2)	41,156
Total	145,132

5.6. This is an increase of £8,860 per year.

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- 5.7. If two CFOs were appointed again, and both were at PO11 grade these increased costs would be the equivalent of one full time CFO and one CFO on three days per week (23 hours) rather than two days per week. The increased costs would therefore be the equivalent of one extra day for a Chief Finance Officer.
- 5.8. If both CFOs were paid at PO11, and the PCC's CFO was replaced the current budget would allow for 20 hours per week (2½ days).
- 5.9. The above costs do not include the costs for a retained advisor, in case of a dispute. These costs would vary depending upon the requirements. If the advisor was paid one day per month at £360 per day this would cost about £5,000 per year with on costs. The daily rate of £360 is the rate paid for the current CFO at grade PO11.

6. Risks

The following risks have been identified:

6.1. Conflict of interest/potential compromise

This is likely to occur if there were a fundamental disagreement between the PCC and the Chief Constable. This would represent a significant risk to the organisation, not just to the shared CFO role.

6.2. Continuity

The PCC and the Chief Constable both have a responsibility to appoint a CFO. The holder of these posts could change every few years. If the shared role is chosen this will require recruiting an additional post and potentially regrades within the finance team. If the organisations then revert to two CFOs the changes made will have to be reversed, or the two CFOs would both have to be part-time. If the shared role is chosen there should be agreement about what would happen if that was changed to two roles again.

7. Conclusion

As I am currently doing the joint role I have not recommended an option. The decision is for the PCC and the Chief Constable to agree. Following discussion with the PCC and the Chief Constable I would support continuing with a shared role, if that option were chosen, if resources were provided and the potential issues were recognised by all parties.

If Option 1A or Option 1B is adopted then the following should be noted:

- 7.1. The CFO would take a more strategic role
- 7.2. Additional resources will be required
- 7.3. Strong governance processes will be required
- 7.4. The management teams in both organisations should support the proposal
- 7.5. Both organisations will need to understand the role and which "hat" is being worn by the CFO at different times.

Annex A – Contents of SLA

- The CFO will undertake the statutory responsibilities of the CFO of the PCC as set out in paragraph 6 of Schedule 1 of the Police Reform and Social Responsibility Act 2011.
- The CFO will be responsible for the following, as laid out in the Financial Management Code of Practice:
 - Ensuring that the financial affairs of the PCC are properly administered and that financial regulations are observed and kept up to date
 - Ensuring regularity, propriety, feasibility and value for money in the use of public funds
 - Ensuring that the funding required to finance agreed programmes is available from Central Government funding, precept, other contributions and recharging
 - Reporting to the PCC, the Police and Crime Panel and to the external auditor any unlawful or potentially unlawful, expenditure by the PCC or officers of the PCC
 - Reporting to the PCC, the Police and Crime Panel and to the external auditor when it appears that expenditure is likely to exceed the resources available to meet that expenditure.
 - Advising the PCC on the robustness of the budget and adequacy of the financial reserves
 - Ensuring production of the statements of accounts of the PCC
 - Ensuring receipt and scrutiny of the statements of accounts of the Chief Constable and ensuring production of the group accounts
 - Liaising with the external auditor
 - Advising the PCC on the application of value for money principles by the force to support the PCC in holding the Chief Constable to account for efficient and effective financial management
 - Advising, in consultation with the Chief Executive, on the safeguarding of assets, including risk management and insurance.
- The CFO will:
 - Be a key member of the PCC's leadership team
 - Be actively involved in, and able to bring influence to bear on all strategic business decisions of the PCC
 - Lead the promotion and delivery by the PCC of good financial management
 - Ensure that the finance function is resourced to be fit for purpose.
- The CFO will represent the following at meetings:
 - Governance Board – PCC and Chief Constable
 - Finance Panel – PCC and Chief Constable
 - Audit Committee – PCC and Chief Constable
 - Police and Crime Panel – PCC
 - OPCC CMT – PCC
 - Monthly Executive Board – Chief Constable (PCC represented by Chief Executive)
 - Weekly Executive Board – Chief Constable
 - Planning for the Future Meetings – Chief Constable
 - At all other Constabulary meetings the CFO will represent the Chief Constable only
 - At any other meetings the CFO will state who he is representing at the meeting
- The CFO will undertake the responsibilities within the Corporate Governance framework of both the PCC's CFO and the Chief Constable's CFO.
- The CFO will meet regularly with the Chief Executive to discuss workloads and priorities.

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- PDR objectives will be set jointly with the Chief Constable and the PCC/Chief Executive
- The CFO will attend OPCC CMT meetings and away days.
- The CFO will work between the following locations – OPCC, Executive and the Finance Team – and will balance the time in each location.
- The SLA will include the responsibilities of the CFO regarding arrangements for a retained advisor, if required.
- Costs will be allocated between the roles as follows:
 - Chief Constable 65%
 - PCC 35%
- This is based upon the current split of costs. The split of costs will have to be agreed between the PCC and the Chief Constable.
- Any change in this allocation will be agreed between the PCC and the Chief Constable.
- The pay scale for the joint CFO will be determined by the PCC and the Chief Constable, taking into account advice and benchmarking from HR.
- PCC and Chief Constable
Both the PCC and the Chief Constable recognise that a shared CFO could be potentially compromised and will look to recognise and minimise such circumstances.

Annex B

Consultation – Response from Audit Committee members

Chris Marshall

You will see the opinions of my fellow Committee members .

The advantages and disadvantages of combining the two roles are well covered in the report and acknowledged by the Committee.

Most organizations have one chief finance officer or finance director with overall responsibility for strategic financial direction and control with deputies covering the various departments.

With the police this is not straightforward as there are two separate corporations sole and the matter of a conflict of interests may arise.

However I believe the report does largely cover this situation.

The financial savings will not be as great as expected because some back filling will be inevitable.

Overall I am content with the report but close monitoring as to progress will be essential.

Colin Greaves

Herein are my observations. Overall, I think that Peter has presented an accurate account of how we arrived at the current situation and the arguments are carefully weighed and a balanced view provided. I don't have an issue with any of the options and I am not inclined to offer a preferred solution as I believe that this is a matter for the PCC and the CC. However, I do offer a note of caution that there are resource implications and these need to be actioned if there is to be a successful outcome. It is self-evident that the success of whichever solution is chosen will come down to the working relationship between the PCC and the CC, but this, by its very nature, is inherently transitory.

Mike Nadin

Thanks for letting me have sight of this Peter.

My own view is that the joint CFO option makes good sense and should continue if possible. As I see it the main driver is to ensure consistency of financial advice rather than to make any financial savings.

However to make it work properly there must be the will on both sides and it **must** be adequately resourced (which you have explained well in your report). There must be no penny pinching at this stage.

I cannot comment very meaningfully on the structure/roles you suggest, as I would need to know more detail before I could. However in broad terms (relying on my Finance background) I am happy to agree with the direction you propose.

The really thorny question is what happens if the CC and PCC disagree over a material financial issue. CIPFA says the success of the model depends upon trust between the CC and the PCC; this is very worthy but the cynical auditor in me says nothing like this should be based on trust - there should be adequate controls in place - in this case to remedy a situation of potential conflict. And anyway as Colin says in his comments such relationships are transitory - what may be one of trust may alter overnight if the principals change (CC and /or PCC).

PCC's Chief Finance Officer

OFFICIAL

You have of course put forward possible solutions in your report and I am happy for the PCC and CC to decide between them as you have well described their pros and cons so they make an informed decision.

I can think of only a very few situations where a financial decision conflict might arise. Normally finance is a function of plans and strategy (is these are set and finance made available to carry them out) so most significant conflicts would be about operational plans.

The only purely financial issues I can think of are

- in the murky area of balances/ reserves/ provisions and whether for example insufficient is being retained in them in the CFO's opinion
- in the area of capital finance e.g. PFI vs financing from another kind of source.