Annex 1

Introduction

Proper management of resources and a sound financial standing will enable the BTPA to achieve their aims and objectives. The Financial Memorandum and Statement for NDPBs is to be read in conjunction with this document. The Financial Regulations in Section 2 set out the arrangements for controlling revenue and capital spending.

This protocol has been guided by the financial memorandum, Cabinet Office guidance for NDPBs and the Combined Code on Corporate Governance.

1.1 GENERAL PRINCIPLES OF FINANCIAL MANAGEMENT: PLANNING, FUNDING AND CONTROL

The general principles that the Authority will adhere to regarding corporate governance are that:

1. its aims and objectives are agreed, clearly defined and included as appropriate in the underlying statute, management statement or financial memorandum;

2. the respective responsibilities of the Authority and the Department for Transport are clearly defined in a management statement or financial memorandum;

3. the Authority will establish the broad policy framework within which it will operate, and performance targets are set covering economy, efficiency and effectiveness in the delivery of its services;

4. the Authority has sound internal financial and management information systems including:

   (a) management accounting systems to enable the Authority to monitor and control its expenditure against budget;
   (b) financial management information systems to enable it to produce annual accounts;
   (c) a system of corporate planning leading to the production of an annual corporate plan; and
   (d) management measurement systems to ensure that there is continual evaluation of progress towards key targets covering financial performance, quality of services and efficiency and adjustment of those targets as necessary.

   All systems will ensure that the Authority is making best use of the resources available to it and securing value for money in all areas; and

5. the Authority will carry out regular assessments designed to monitor performance and ensure the financial management arrangements reflect best public sector practice and are working efficiently.

1.2 GENERAL PRINCIPLES OF FINANCIAL MANAGEMENT: ACCOUNTABILITY

The general principles that the Authority should adhere to regarding corporate governance, based on the Cabinet Office guide for NDPBs, are that:

1. the Authority should aim to improve accountability and use their annual accounts and reports to demonstrate to Parliament, taxpayers, the railway industry and customers the extent to which they are achieving improved value-for money;

2. all members and staff should maintain the strictest standards of financial propriety;

3. staff with financial responsibilities should receive appropriate training;

4. accounts should be maintained on an accruals basis and aim to follow private sector practice with regard to the preparation of accounts and reports;

5. the Authority should prepare combined annual reports and accounts;

6. publication of the extent to which financial and other performance targets have been met should identify what savings have been achieved and how far the Force has improved the delivery of its services;

7. external audit arrangements should be recorded in the financial memorandum or management statement;

8. the Authority should make effective arrangements for internal audit which should maintain links with other inspection and review services;

9. the Authority should make banking arrangements which keep banking costs to a minimum; and

10. The Authority's assets should be reviewed regularly and surplus assets (profitably) disposed of.

1.3 ROLE OF THE AUTHORITY'S TREASURER AND THE FORCE'S FINANCE DIRECTOR

The Authority will need to ensure that the roles of the Treasurer and the Force's Finance Director are clearly defined and understood. The Treasurer will have financial qualifications and relevant experience and will be appointed as a part-time position.

Therefore he/she will not be able to undertake the responsibility for day-to-day financial arrangements of the BTP. The roles are be defined as follows.

The Authority Treasurer

- will provide objective and independent financial advice to the Authority;
- shall be involved in audit and will be an adviser to the Audit Committee; and
- will discharge the responsibilities set out in the Management Statement.

The Force Finance Director

- advise the Chief Constable on the tactical and strategic management of the Force's budget;
- the day-to-day financial management of the BTP; and
- provide advice to the Chief Constable on financial matters.

The Treasurer and the Finance Director will agree a protocol that will outline how their roles will operate and complement each other (see Annex 9).

Financial Regulations

FINANCIAL PLANS AND BUDGETARY CONTROL

FR1 Revenue Budget

1.1 By the end of March of each year the Authority shall agree the total revenue budget for the following financial year.

1.2 The revenue budget shall be presented in two parts, i.e.

a) the budget for the Force, responsibility for the management of which lies with the Chief Constable; and

b) the budget retained by the Authority, which shall include provision for expenditure directly related to the functions of the Authority, the management of which shall be the responsibility of the Chief Executive and Clerk.

1.3 The Chief Constable shall submit monitoring reports to the Authority at each ordinary meeting, but more frequently if requested by the Authority, dealing with income and expenditure against the budget.

1.4 The Chief Executive and Clerk shall submit monitoring reports on the budget retained by the Authority to each ordinary meeting of the Authority (or its appropriate Committee), but more frequently if required.

1.5 Subject to FR2 & FR4 below, no expenditure shall be incurred, no commitments (including leasing agreements relevant to the revenue budget) entered into and no liabilities established unless there is sufficient and appropriate budgetary provision. In an emergency, expenditure for operational purposes that is not otherwise provided for in the budget may be authorised, using the Urgency

Procedure set out in Standing Order 12 of the Procedural Standing Order, up to the limits contained within the Financial Delegations.

Additionally, in all such instances there shall be a report on the matter to the next meeting of the Authority.

FR2 Capital and Major Revenue Schemes (all financial limits exclude VAT)

2.1 The Chief Constable shall prepare a 3-year capital programme and capital budget for consideration by the Authority. This programme will form the basis of discussions with the Department for Transport (DfT) for inclusion in their capital allocation programme.

2.2 **Scheme Approval**

Once a capital project is included within the 3-year capital programme, the details of each scheme shall be the subject of a further and final approval. An evaluation, including a financial appraisal, shall be undertaken and reported in respect of all capital and major revenue schemes which shall include the business case for the scheme. For such schemes, expenditure necessary to produce a proper evaluation ahead of approval may be incurred, in accordance with Procurement or Contract Standing Orders. The following thresholds shall apply to the approval of schemes (in respect of major revenue schemes they shall relate to the estimated additional annual cost):

a) estimated cost at less than £250,000 – Chief Constable; (the Chief Constable shall determine which major revenue schemes within this category shall be subject to a scheme evaluation report in consultation with the Chief Executive and Clerk and Treasurer);

b) estimated cost between £250,000 and £500,000 and replacement schemes, e.g. vehicles and equipment, of any value from £250,000 and above – Chief Constable in conjunction with the Chief Executive and Clerk;

c) estimated cost of more than £500,000 – Urgency Panel; and

d) estimated cost in excess of £1m – Authority.

For all Schemes with an estimated cost of £100K or above, the evaluation and business case must be accompanied by a report from the Treasurer. Schemes that are related or phased shall be treated as a single scheme for these purposes. For the purpose of the application of the thresholds, the capital and additional revenue costs will be aggregated.

All evaluations shall be undertaken in line with project appraisal guidelines which fulfil Government accounting and policy requirements, and shall include, inter alia, calculations to show the NPV and IRR for each scheme.

2.3 **Scheme Expenditure**

Capital and major revenue scheme expenditure may not take place prior to scheme approval. Following approval of the scheme evaluation, capital and major revenue scheme expenditure may be incurred in accordance with Procurement or Contract Standing Orders up to the estimate (plus inflation as

appropriate) specified in the scheme evaluation. Approval for additional scheme expenditure shall be sought when it is first identified and, if possible, before it is contractually committed, e.g. at tender acceptance stage, and shall be authorised as follows:

a) up to 5% of the estimated cost or £50,000, whichever is the lower – by the Chief Constable;

b) over 5% of the total estimated cost or £50,000 whichever is the lower – by the Chief Constable and the Chief Executive and Clerk; and

c) over £100,000 – by the Authority.

2.4 Subject to FR3 below, the Chief Constable shall ensure that contract payments and other expenditure against approved schemes are controlled within the scheme approval given under FR2.2.

2.5 The Chief Constable shall monitor capital and major revenue schemes and shall submit to the Authority:

i) exception reports where a decision is required or there are circumstances of which Members should be aware; and

ii) a post-completion assessment report for all schemes costing over £50,000 excluding replacement schemes (see also 2.2(a) above).

FR3 Virement (all financial limits exclude VAT)

3.1 Subject to FR3.3, the Chief Constable may authorise the transfer of resources between budget headings within the revenue budget for the service, provided that:

a) the revenue budget and capital budget net totals are not increased;

b) the future commitments falling to the Authority are not increased by more than £50,000;

c) the transfer does not result in a significant change of policy;

d) the amount does not exceed £250,000; and

e) the Treasurer has been consulted and gives approval.

Virement will not be possible in respect of expenditure which is specifically government funded.

3.2 Virements up to £50,000 may be authorised by the Force Finance Director. Virements in excess of £250,000 and not exceeding £500,000 may be authorised by the Urgency Panel.

For the purpose of these Regulations, a significant change of policy is one which:

- results in activities which are outside the objectives of the Force Strategy or Policing Plan;

- prejudices to a material degree the achievement of any of the objectives of the Force Strategy or Policing Plan;
- does not conform with Authority policy resolutions; or
- alters a specific approval by the Authority.

3.3 Where the amount exceeds £500,000, virement requires the approval of the Authority.

BUDGET MANAGEMENT

FR4 Salaries, wages, pensions, gratuities

4.1 In relation to police officers and police civilian staff, the Chief Constable shall ensure that payments of all salaries, wages and emoluments due to employees and the collection of amounts due from officers are in accordance with the relevant salary scales, wage rates and conditions of service and police terms and conditions approved by the Authority.

4.2 If the payment of salaries, wages etc. is provided by a contractor outside of the Authority, the relevant terms, conditions and controls shall be agreed between the Chief Constable and the Chief Executive and Clerk and be included in the contract.

4.3 The Chief Constable shall maintain records containing details of:

a) appointments, secondments, resignations, dismissals, suspensions from duty, transfers, grievances and disciplinary matters;

b) periods of sickness and absences other than normal annual leave;

c) changes in remuneration or allowances or liabilities of officers; and

d) any other matters affecting the calculation and payment of salaries, wages, compensation, allowances and other emoluments to an officer, pension entitlements and of amounts due from an officer.

4.4 The Chief Constable shall make arrangements for:

a) the payment of pensions, gratuities, compensation, and other payments due and for maintaining the necessary records; and

b) the payment of compensation or redundancy payments due under any statutory arrangements or policies agreed by the Authority and for maintaining the necessary records.

4.5 All payments to individuals directly contracted to the Authority who are acting in a self employed capacity shall be paid through the payroll system and be subject to tax unless the status of the individual has been confirmed as self employed in accordance with Inland Revenue guidelines.

4.6 In respect of those officers who are subject to pension schemes, the Chief Constable shall maintain such records and shall supply such information as the administering Authority may require to discharge its functions.

4.7 If any part of the functions in FR4.4, FR4.5 and FR4.6 is provided by a contractor outside of the Authority, the relevant terms, conditions and controls shall be agreed between the Chief Constable and the Chief Executive and Clerk and included in the contract.

4.8 Subject to any statutory provisions to the contrary, the Chief Constable shall recover any overpayment of salaries, wages, allowances, or police pensions entitlements.

4.9 The Chief Constable shall ensure full compliance with prevailing employment legislation including that relating to PAYE, National Insurance, pensions and sickness benefit.

FR5 Travelling, Allowances and Schemes of Assistance

5.1 The Chief Constable shall ensure that payments are made in a manner which ensures that the appropriate arrangements are made to account for the National Insurance due and to create the necessary records for self-assessment.

5.2 All claims by officers and police support staff for travelling, other allowances or advances under conditions of service or the Authority's policies shall:

a) be prepared and signed personally by the claimant as being wholly, necessarily and exclusively incurred in the course of duties;

b) be certified by an authorised officer;

c) be accompanied by relevant receipts, and submitted on a timely basis and if of a continuing nature, be submitted at intervals specified by the Chief Constable; and

d) be submitted in accordance with Force T&G policy.

5.3 The Chief Executive and Clerk shall undertake the same responsibilities for staff of the Authority.

FR6 Orders for Goods and Services

6. The Chief Constable shall:

a) ensure that written orders are placed in advance for all works, goods and services to be supplied (other than public utility services) provided that in cases of urgency oral orders may be placed and confirmed by written order within 2 working days;

b) ensure that orders are issued only where the cost can be met from an approved revenue or capital budget;

c) ensure that orders are properly certified and indicate the price to be paid or exceptionally, where the price is not known, the price that the order is not to exceed;

d) maintain a register of the post numbers, names, specimen signatures (in the absence of general approvals to systems), initials of approved certifying officers and the approval limits for each certifying officer; and

e) obtain goods and services in the most cost effective way and from the source offering best value commensurate with the required quality, performance and delivery.

FR7 Payment of Accounts

7.1 The Chief Constable shall ensure that every invoice, payment voucher or claim for payment will be checked by an authorised officer/budget holder who shall certify that the expenditure has been properly incurred, is within the relevant budgetary provision and that the goods have been received and/or work done and is of a satisfactory standard.

7.2 The Chief Constable shall ensure that there is adequate separation of duties with regard to the certification of orders and the certification of requests for payment, and the certification of goods or services received and the approval of payment.

FR8 Income

8.1 The Chief Constable shall ensure that charges for services provided shall be made on the basis of and in accordance with the terms of the relevant Police Services Agreement and otherwise on the basis of recovering the full costs involved.

8.2 The Chief Constable shall arrange for the prompt:

a) issue of debtors accounts and collection of monies due for credit income;

b) collection of cash due to the Authority; and

c) completion and submission of any claims for grant payable towards expenditure incurred, and for ensuring payment is received.

8.3 The Chief Constable shall ensure that income is recorded promptly and that all monies received are, without delay, banked intact in the name of the Authority.

8.4 Officers receiving cash income on behalf of the Authority shall issue official receipts immediately for all such income.

8.5 The Chief Constable shall ensure that there is adequate separation of duties with regard to the issuing of debtors' accounts and the collection and banking of income.

8.6 Monies received by officers on behalf of the Authority shall be kept separate from personal funds and shall not be lent to officers or others, nor used to cash postal orders or personal or other cheques.

FR9 Security

9.1 The Chief Constable shall make arrangements for the supply and issue of controlled stationery (e.g. receipt books).

9.2 The Chief Constable, with the agreement of the insurer where appropriate, shall ensure that sound arrangements exist for the security, issue and movement of assets, including cash and valuable documents, such as cheques and bank books.

9.3 The Chief Constable shall specify limits of cash or other holdings, which shall not be exceeded without prior permission.

FR10 Unofficial and Voluntary Funds

10.1 The Chief Constable shall ensure that he is notified immediately of the nature and purpose of any unofficial or voluntary fund.

10.2 The Chief Constable shall maintain proper records of such funds, including a separate account for the transactions of the fund, and for keeping them separate from those belonging to the Authority.

FR11 Management of the Authority's Budget

11.1 The Chief Executive and Clerk shall be responsible for securing proper arrangements for the management of that part of the retained budget referred to in FR1.2(b) and shall, where considered appropriate, adopt similar arrangements to those set out in FR4 - FR10 above, in consultation where appropriate with the Authority's Treasurer.

CONTROL OF ASSETS
FR12 Property

12.1 The title deeds of all property in the Authority's ownership will be held in the custody of the Chief Executive and Clerk.

12.2 The Chief Constable shall maintain an inventory of all of the properties leased by or occupied by the BTP and shall make arrangements for the safe custody of associated leases and licences.

FR13 Fixed Assets and other Assets

13.1 The Chief Constable shall maintain registers or inventories of valuable, attractive and/or portable assets, keep them up to date and certify them as accurate at least annually.

13.2 The Chief Constable shall make arrangements for the custody and control of stocks and for ensuring that they are not in excess of reasonable requirements. The Chief Constable shall arrange to maintain proper records for the control of stocks and arrange for a partial or full count and valuation on or around 31 March each year.

FR14 Disposal of Assets

14.1 For the disposal of assets other than land and buildings, the Chief Constable shall ensure that all sales, including those to Members or officers of the Authority, will be by public auction or competitive tender. He may also decide that, exceptionally, public auction or competitive tender is inappropriate for operational or security reasons in which case he will authorise appropriate alternative means of disposal. In such cases, he will seek to maximise income commensurate with maintaining security. The Chief Constable may, in consultation with the Treasurer, dispose of redundant equipment with no market value to charitable organisations.

14.2 Fixed Asset write offs will be within the limits set out in Part D of the Delegations to Officers.

BANKING AND INSURANCE

FR15 Banking Arrangements

15.1 Subject to the views and advice of the Treasurer, the Chief Constable shall oversee the Organisation's banking arrangements and shall authorise the creation or closure of any account.

15.2 The Chief Constable shall decide whether to make an imprest advance to an officer for the payment of expenses.

15.3 Subject to FR15.5 all cheques drawn on the Organisation's bank accounts shall be crossed "Account Payee" and, if appropriate, bear signatures in accordance with bank mandates and cheque signatory arrangements.

15.4 In the case of imprest accounts, cheques may be signed by the officer or officers authorised by the Chief Constable, who shall make arrangements for imprest account signatories with the bank.

15.5 The Chief Constable shall be responsible for the daily management and operation of bank accounts, including imprest accounts.

15.6 The Chief Constable shall ensure that there are effective controls for all banking arrangements and systems including electronic payments systems such as BACS and CHAPS.

FR16 Insurance and Risk Management

16.1 The Chief Constable, shall arrange insurance cover in accordance with the overall policy approved by the Authority.

16.2 In relation to insured risks, the Chief Constable will comply with the requirements of the insurers, including maintaining appropriate records, dealing with claims, and supplying information promptly as and when required.

16.3 In relation to insured risks, the Chief Constable will discuss with the insurers any proposed response to potential claimants and will not, without the specific agreement of the insurers, enter into any correspondence (beyond

acknowledging receipt of the claim) or discussion with the claimant(s) or their representatives. No liability is to be admitted except through the insurer.

ACCOUNTS AND AUDIT

FR17 Financial Systems

17.1 The Chief Constable may vary existing systems or commission new systems subject to consultations with the Treasurer and to the following safeguards:

a) internal Audit shall be consulted on proposed new systems of control in respect of both financial systems and other systems with significant financial implications. This consultation shall take place at the development stage of the system to help ensure that due regard is paid to the principles of effective internal control;

b) internal Audit shall also be consulted on proposed major changes to existing systems of control. Where practicable this consultation should take place at least four weeks before the proposed change is due to be implemented. Internal Audit will be notified of any changes that are implemented.

c) each system shall be put under the control of a named officer who will ensure and monitor its continuing relevance and effectiveness; and be responsible for it;

d) systems shall be properly described and accompanied by written instructions which shall be kept up to date in line with developments in service provision or changes in techniques and technology;

e) all prime financial records, as agreed with the external auditor, shall be readily available in a permanent form and will be retained for six financial years plus the current year;

f) for audit purposes, all other financial records shall be retained for three financial years plus the current year, unless otherwise agreed by the Comptroller & Auditor General;

h) the Chief Constable shall ensure that:

i) there is adequate separation of duties within any one system so that officers are not placed in a situation where they might be exposed to undue influence, unfair criticism or allegation; and

ii) suitable back-up arrangements and/or reserve facilities are in place for important systems; and

iii) these back-up systems can be invoked when required with sufficient speed to ensure that the operation and integrity of the service and its financial and other systems is maintained.

FR18 Data Security

18.1 The Chief Constable shall ensure that all computerised financial systems are secure and comply with legislation such as the requirements of the Data Protection Act 1984 as subsequently amended.

18.2 Staff shall not use systems for unauthorised access, disclose passwords or use any passwords allocated to other people, or load or download software which has not been authorised by the Chief Constable; and any attempts to do so or other breaches of this Regulation shall be reported to the Data Protection Officer.

FR19 Internal Audit

19.1 There shall be an Internal Audit service to carry out a programme of work to review, appraise and report on the adequacy of the Organisation's systems, both financial and non-financial. The Audit & Corporate Governance Committee shall agree and monitor this programme.

19.2 The Chief Constable or the Chief Executive and Clerk, in consultation with the Chairman of the Audit & Corporate Governance Committee, may require Internal Audit to undertake an urgent investigation into a specific area where this is considered to be warranted by special circumstances. All such investigations shall be notified to the Audit & Corporate Governance Committee, which may amend the audit programme accordingly.

19.3 Internal auditors shall have the right of access to any document, information or explanation they require from any officer or Member in order to carry out their duties. This right is not limited to financial information or accounting records. Notwithstanding that, the Chief Constable may consider that certain information is not suitable for disclosure to the Internal Auditor. Should the Internal Auditor consider it to be essential for the proper conduct of the audit, then the matter shall be referred to the Audit & Corporate Governance Committee. The Chief Constable shall notify the Chairman and the Chief Executive and Clerk of all such occurrences and their outcome.

19.4 Internal audit reports shall be submitted to the Chief Constable who shall respond to such reports orally or in writing, as appropriate, in accordance with an agreed timescale, detailing the action intended to address any recommendations. A copy of each report shall also be sent to the Chief Executive and Clerk.

19.5 These reports shall be submitted to every meeting of the Audit & Corporate Governance Committee describing the programme of work completed and progress on the implementation of recommendations.

19.6 Any Member or officer who suspects fraud, corruption or other financial irregularity shall report the matter to the Chief Constable, who shall notify Internal Audit and the Chief Executive and Clerk.

GENERAL

FR20 Authority and Committee Reports

20.1 A mature draft of all reports that are to be submitted to the Authority or Committee, and which affect the Organisation's finances, should normally be submitted to the Treasurer and to the Chief Executive and Clerk for analysis and comment at least 10 days prior to the despatch date for the agenda on which the report will appear.

FR21 Interpretation of Financial Regulations

21.1 Any case of difficulty or doubt concerning the correct interpretation or application of these Financial Regulations shall be referred to the Chief Executive and Clerk, who shall consult the Treasurer as appropriate, and whose decision shall be final.