

Performance and Resources Scrutiny Programme 2020/21

Report to: the Office of the Police, Fire and Crime Commissioner for Essex

Title of Report:	CIPFA – Financial Management Capability Review
Classification:	Official
Agenda Number:	5.0
Chief Officer	DCC Mills
Report from:	Corporate Finance, Essex Police
Date of Meeting:	29th June 2021
Author on behalf of Chief Officer:	Debbie Martin, Chief Finance Officer
Date of Approval:	15th June 2021

1.0 Purpose of Report

Following the CIPFA's Financial Management Capability Review and the Force and PFCC action plan to address the recommendations, this report provides an update and notes the latest position from the Working Group which is monitoring the action plan.

2.0 Recommendations

That the Board notes the FMCR update.

3.0 Executive Summary

This report provides an overview of the action plan for FMCR, noting the progress against each individual workstream within the 11 recommendations. It also references the continuing work with CIPFA and utilising consultancy days.

4.0 Introduction/Background

The force and PFCC engaged with CIPFA Achieving Finance Excellence (AFEP I) programme of work in 2019/20 and 2020/21 and recently agreed to sign up to AFEP II.

Part of the AFEP programme includes the Financial Management Capability Review (FMCR). FMCR at a force level, provides analysis of the current situation as the basis for an improvement plan to support each force in implementing the vision for police

finance. At a national level, the precise indication will provide insight and identification of themes across national police finance.

There were three separate components to the FMCR which forms the basis of the report, the overall scoring, and the recommendations noted in the improvement plan. The individual components can be described as follows:

- Direct Interviews – specialist interviews with key stakeholders within the Chief Officer Group, office of the PFCC and Corporate Finance team to supplement the Document Review and to substantiate the evidence generated from the electronic survey
- Electronic Survey – used to test good practice statements against the actual prevailing conditions and practice within the organisation, as well as to evidence the strength of Financial Management within the wider organisation
- Document Review – assessment of a number of key organisational and core finance documents

In May and June 2020 CIPFA undertook the steps outlined above and submitted their draft report in July 2020. Following review, feedback was given to CIPFA and an updated report was received in November 2020.

5.0 **FMCR Working Group**

The first meeting of the Working Group was on 20th May. This report sets out below the recommendation from CIPFA and the progress to date. Further details are included in the original CIPFA report and the agreed action plan (Appendices A and B) and the Working Paper Tracker (Appendix C). The RAG status used by the Working Group is:-

Key
Completed
Agreed - awaiting commencement
Proceeding to Plan
Issues/risks exist & are being managed
High level risks exist

Although there were 11 recommendations, these have been broken down into 33 recommendations. As at 20th May there were 10 completed, 5 agreed but are not due to commence until later in the year, 14 proceeding to plan, 5 that have issues/risks which all relate to minor slippage from the original timescale and no high risk levels.

Theme: Financial Strategy and Budget Setting

Recommendation 1

Developing a dynamic and robust Medium Term Financial Plan

Recommendation

The MTFP would benefit from a more cautious approach to reserves and the affordability of capital plans. Scenario modelling including Best, Worst and Medium level options should be illuminated based on key core assumptions being flexed (sensitivity analysis) and stress tested with clear contingency plans for the worst scenario.

Action	Description	Report Timescale	Leads	Date Start	Date Complete	Update 20/05/21
THEME: Financial Strategy and Budget Setting						
1. Developing a dynamic and robust Medium Term Financial Plan						
1a i	MTFS Modelling	November/December 2020 for 2021/22 budget setting.				Complete
1a ii	MTFS Modelling	May/June 2021 for 2022/23 onwards	DM/AC/JP/JB	May-21	Dec-21	Meeting scheduled for 28/05/21
1b i	Capital Programme Affordability	November/December 2020 for 2021/22 budget setting.				Complete
1b ii	Capital Programme Affordability	May/June 2021 for 2022/23 onwards	AC/MT/JP/JB	May-21	Dec-21	Affordability reviewed as part of budget setting for 20201/22. Next steps are MT to arrange meeting with AC/JP/JB to review :- 1) New capital format 2) Revised finance summary approach, 3) Better scrutiny of capital budget holders (CPMB), 4) Design new capital template (stage 1 & 2)
1c i	Reserve Levels	November/December 2020 for 2021/22 budget setting.				Complete
1c ii	Reserve Levels	May/June 2021 for 2022/23 onwards	DM/AC/JP/JB	May-21	Dec-21	Meeting scheduled for 28/05/21

Recommendation 2

Efficiency Savings

Recommendations

The Force needs to take a more cross cutting approach to efficiency, using digital transformation and its estate strategy to generate larger savings albeit with a higher risk.

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Action	Description	Report Timescale	Leads	Date Start	Date Complete	Update 20/05/21
THEME: Financial Strategy and Budget Setting						
2. Efficiency Savings						
2a	Capture estates efficiency savings via the Estate Boards	On going business as usual. The Estates Board meets every six weeks and the Strategic Estates Board meets quarterly.				Complete
2b	Capture cashable and non-cashable from the COVID Recovery Coordination Group	On going business as usual. The COVID Recovery Coordination Group meets every two weeks.	KS/AH/RJ	Mar-21	Nov-21	Good progress is being made. Non-cashable tracker is underway and process includes cross checking for double counting.
2c	Capture cashable and non-cashable digital transformation savings	On going business as usual. The Digital Transformation Oversight Board meets quarterly	MT/AH/JH/AC u	Mar-21	Nov-21	Report going to SSC on 1/06/21. Working Group will meet after SCCB.
2d	Capture cashable and non-cashable as a result of O365 implementation	On going business as usual. The O365 Board meets every two months	KA/AH/ACu/P B	Mar-21	Nov-21	Consolidated O365 cashable and non-cashable benefits template completed and reviewed by SCT on 17/05/21. Updated benefits report is due to go to O365 Tactical board on 27/05/21, then O365 Strategic board on 16/07/21, and Essex Efficiency & Savings Board on 19/07/21.
2e	Establish a new process for capturing non-cashable savings	Draft policy to be presented to Efficiency and Savings Board April 2021	AH/DM	Mar-21	Jun-21	Non-cashable tracker procedure has been agreed by Efficiency & Savings Board and has been submitted for publication

Recommendation 3

Budgeting setting –improving precision and challenge

Recommendation

Improved financial modelling and the generation of larger-scale efficiency savings could be addressed by the use of bottom-up budgeting and elements of zero basing and outcome led budgeting.

Fundamental to this is the achievement of increased skill levels in budget holders.

Action	Description	Report Timescale	Leads	Date Start	Date Complete	Update 20/05/21
THEME: Financial Strategy and Budget Setting						
3. Budgeting setting – improving precision and challenge						
3a	Budget deep dive	Commence March 2021 for 2022/23 budget setting. To be progressed at the Efficiency and Savings Board.	AC/RJ	Mar-21	Sep-21	RJ will commence reviewing 2020/21 outturn data and 2021/22 budgets and undertake 5 deep dives in the summer, ready for non-pay budget setting 2022/23 in September 2021.

Theme: Diffused Financial Management and accountability for financial performance

Recommendation 4

FM Competency Framework and performance framework

Recommendation

The high-level balanced scorecard should be enhanced to take a more inclusive view of finance. Ensure that performance appraisal systems for budget holders include financial

management responsibilities so as to incentivise proactive behaviours. This should be linked to a competency framework – see below.

Action	Description	Report Timescale	Leads	Date Start	Date Complete	Update 20/05/21
THEME: Diffused Financial Management and accountability for financial performance						
4. FM Competency Framework and performance framework						
4a	Job description review to clarify finance responsibilities; performance (PDRs) are assessed against the job description.	Apr-21	AB	Mar-21	Sep-21	1) AB/RJ to write a Finance Technical competency (level 1-7). 2) AB/RJ to assign competency levels to ranks and roles
4b	Publish finance responsibilities with Scheme of Delegation	Apr-21	DM/AC/RJ	Mar-21	May-21	Meeting scheduled for 17/06/21 for DM/AC/RJ/MT to review actions 4b, 9b and 9c.
4c	Appoint a Systems & Reporting Accountant to produce budget holder reports	Commence recruitment April 2021 (subject to 2021/22 budget setting)	AC	Mar-21	Sep-21	The job description has been Hay evaluated and the grading is awaited following an appeal. Job advert estimated to be live in June 2021.
4d	Budgetary management to be reviewed by line managers and at the Force Performance Board (subject to 4c) with Chief Officer oversight at COG	Jan-22	AC/RJ	Dec-21	Mar-22	Dependent on start date of Systems & Reporting Accountant

Recommendation 5

In-year monitoring and Virement

Recommendation

Budget management should be regarded as a primary financial management function and the development of greater accountability and a reduction in the management of time consuming virements. This would provide the base for more detailed linking of budgets to outcomes.

Action	Description	Report Timescale	Leads	Date Start	Date Complete	Update 20/05/21
THEME: Diffused Financial Management and accountability for financial performance						
5. In-year monitoring and Virement						
5a	Budgets holders and Corporate Finance to be reminded of the appropriate use of virements	February 2021 for 2021/22	AC	Feb-21	Mar-21	1) Corporate Finance colleagues to be briefed at the Monthly Monitoring Meeting on 27/05/21 of the new Scheme of Virement. 2) Management Accountants/FBPs will update budget holders at budget holder meetings set up in June.
5b	Virement Policy paper to COG	January 2021 for 2021/22	AC	Feb-21	Apr-21	Revenue Budget Management and Scheme of Virement agreed at COG on 21/04/21.

Recommendation 6

Accountability

Recommendation

The development of focused budgets managed and monitored throughout the year will lead to greater accountability that should be supported by the development of greater 'self-service' and linked performance monitoring.

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Action	Description	Report Timescale	Leads	Date Start	Date Complete	Update 20/05/21
THEME: Diffused Financial Management and accountability for financial performance						
6. Accountability						
6a	Appoint a Systems & Reporting Accountant to produce budget holder reports (see 4c)	Commence recruitment April 2021 (subject to 2021/22 budget setting). Budget holders reports to be available Q3/4 2021/22	AC	Dec-21	Mar-22	Dependent on start date of Systems & Reporting Accountant
6b	Action 4d addresses holding budget holders to account at the Force Performance Board	Jan-22	AC	Dec-21	Mar-22	Dependent on start date of Systems & Reporting Accountant

Recommendation 7

Limited delegation/lack of diffused financial management literacy

Recommendation

Review development needs across the organisation, (ideally against the aforementioned competency framework) and provide necessary training programmes to improve financial literacy, budget management and forecasting skills, as well as the confidence to use those skills.

Training programmes can also contribute to the changing of attitudes through clear messaging about the importance of budget holders carrying out budget management responsibilities and the evolving strategic role of Finance Decision Support.

Action	Description	Report Timescale	Leads	Date Start	Date Complete	Update 20/05/21
THEME: Diffused Financial Management and accountability for financial performance						
7. Limited delegation/lack of diffused financial management literacy						
7a	a) Introduce a budget holder licence (dependent)	Commence Q3 2021	AC/new post holder	Dec-21	Mar-22	Dependent on start date of Systems & Reporting Accountant
7b	b) Write and deliver a budget holder training package, utilising Develop Me and NCALT packages (dependent on 4c)	Commence Q3 2021	DM/AC /RJ/MT/new post holder	Mar-21	Mar-22	Dependent on start date of Systems & Reporting Accountant. AC to meet with DM to review NCALT package.

Theme: Finance structure - effectiveness

Recommendation 8

Positioning of CC Finance and the CFO

Recommendation

The position of both postholders needs amendment to ensure their position can become compliant.

Action	Description	Report Timescale	Leads	Date Start	Date Complete	Update 20/05/21
THEME: Finance structure - effectiveness						
8. Positioning of CC Finance and the CFO						
8a	Force s151	N/A				Complete
8b	PFCC s151	N/A				Complete

Recommendation 9

Finance Function Efficiencies

Recommendation

Service performance standards would define the relationship between operational budget holders and wider users with the finance function. In this way the profile and influence of Finance can be raised through enhanced transparency on performance. Creating a Finance Service Plan to define responsibilities will ensure that performance of the finance function can be measured, and also resource can be planned and monitored. This will encourage the finance function to focus on strategic tasks. The success of the Finance Business Partnering model will depend in part on a shift of responsibilities towards the self-service budget holder model.

Action	Description	Report Timescale	Leads	Date Start	Date Complete	Update 20/05/21
THEME: Finance structure - effectiveness						
9. Finance Function Efficiencies						
9a	Review SAP contract key dates. (Investment in the general ledger).	Apr-21	DM/JD	Apr-21	Apr-21	1) JD confirmed that this is on the IT Road Map under ERP replacement. There will not be a replacement ERP in the next few years. 2) RJ/JDT to review possible development of general ledger, including Power BI for reporting.
9b	Introduce KPIs	Apr-21	AC/RJ/MT	Mar-21	Jun-21	Meeting scheduled for 17/06/21 for DM/AC/RJ/MT to review actions 4b, 9b and 9c.
9c	Write a Finance Service Plan	Q3 2021/22 operational	AC/RJ/MT	Mar-21	Jun-21	Meeting scheduled for 17/06/21 for DM/AC/RJ/MT to review actions 4b, 9b and 9c.
9d	Revised job description and grading review for Finance Business Partners	September 2020 (complete)				Complete
9e i	Change requirement for capital accountant to be a qualified accountant. New job description and new grading required.	Job description and grading (complete).				Complete
9e ii	Change requirement for capital accountant to be a qualified accountant. New job description and new grading required.	Consultation January 2021.				Complete

Recommendation 10**Finance System****Recommendation**

As part of a Force wide review, the potential for self-service should be explored, including e-Ordering, thus reducing the amount of data manipulation and greater use of the systems BI capability.

Action	Description	Report Timescale	Leads	Date Start	Date Complete	Update 20/05/21
THEME: Finance structure - effectiveness						
10. Finance System						
10a	Self-service on SAP for requisitioning	Jan-22	DMM/MT	Mar-21	Jan-22	The P2P working group has been re-established. This will address requisitioning.
10b	Develop budget holders being able to produce their own reports (dependant to	2022/23	AC/RJ/new post holder	Dec-21	Mar-22	Dependent on start date of Systems & Reporting Accountant

Recommendation 11**Procurement**

Recommendation

The Force should consider investing in a role to monitor progress with 7Force procurements and monitoring Force procurements to ensure adequate oversight.

Action	Description	Report Timescale	Leads	Date Start	Date Complete	Update 20/05/21
THEME: Finance structure - effectiveness						
11. Procurement						
11a	Appoint a 7F finance resource	December 2020 (complete)				Complete

The Working Group is scheduled to meet every six to eight weeks, with leads of each specific action responsible for ensuring that work is undertaken as per the agreed timelines.

6.0 **CIPFA AFEP II**

AFEP II is the next stage of the programme and provides a platform for forces and PCCs to develop. It offers a comprehensive and flexible training and development structure; members will be able to compare and learn from others as part of their continuous improvement journey.

AFEP II presents an opportunity for all forces and PCCs to participate in the following: -

- events
- workshops
- leaders academies
- CFO strategic sessions
- peer support
- blended learning
- data dashboards
- bespoke advisory sessions.

In addition, AFEP II members will have access to specifically focussed and informative industry collateral, updates, thought pieces, publications, TIS Online (blue-light), CIPFA stats+ (blue-light) and articles.

As part of AFEP I, forces were entitled to a follow up FMCR assessment. Due to COVID 19 and the uncontrolled effects to the organisations, not all were able to be completed and this includes Essex. This means that the force has 14 days CIPFA consultancy to utilise by 31st December 2021 and has 5 days consultancy support included within AFEP II. In consultation the force and the PFCC's office has agreed to utilise some of these consultancy days to support specific workstreams, in particular MTFS, reserves and reporting. At the time of writing this report, there are two provisional dates for CIPFA to utilise some consultancy days in July 2021. If required an FMCR review could be undertaken by CIPFA in February 2022, this would allow time for budget setting and would be undertaken before the closure of accounts; this option will be fully explored later in the year.

7.0 **Implications (Issues)**

The action plan enables the force to address issues identified by CIPFA in undertaking the FMCR review.

8.0 **Links to Police and Crime Plan Priorities**

The FMCR recommendations will be reviewed and actions will be aligned taking into account the priorities set out in the Police and Crime Plan.

9.0 **Demand – N/A**

10.0 **Risks/Mitigation**

The FMCR concerns addressing potential risks, the action plan is in place tackles the risks.

11.0 **Equality and/or Human Rights Implications**

Any impact on equality, diversity or human rights are considered within each workstream.

12.0 **Health and Safety Implications**

Any health and safety implications are considered within each workstream.

13.0 **Consultation/Engagement**

The working group consisted of a representative for each workstream and their updates are reflected accordingly.

14.0 **Actions for Improvement**

The FMCR action plan is about identifying improvements to specific workstreams

15.0 **Future Work/Development and Expected Outcome**

The FMCR working group will continue to meet every 6 to 8 weeks. It will track the workstreams and monitor progress against the original timelines.

16.0 **Appendices**



Essex FMCR Final Report - November 2017



CIPFA FMCR COG & PFCC.docx



1. FMCR Working Group 200521.xlsx