

Warwickshire Joint Audit and Standards Committee Report Summary

Meeting Date: 6th July 2022

Subject: CIPFA Financial Management Capability Review (FMCR) of
Warwickshire Police

Contact details: Jeff Carruthers (Jeffrey.Carruthers@warwickshire.police.uk)

Purpose of the Report

To report on progress against the recommendations contained in the FMCR. The purpose of the FMCR is to highlight strengths and weaknesses so as to recommend improvements.

Recommendations

Note the contents of the report.

Background

Following fieldwork CIPFA produced the FMCR for Warwickshire Police in July 2020, which was commissioned as part of the Achieving Financial Excellence in Policing (AFEP) programme. The FMCR was presented to JASC in July 2021.

The FMR draws on criteria set out in the CIPFA Financial Management Tool Kit and reads across to the (new) Financial Management Code of Practice that authorities are required to comply with.

It is anticipated that the FMCR will be conducted at regular intervals.

Executive Summary

The Force was rated 3 out of 5. No Force has scored 5 the majority are scored at 3.

Financial Resilience: The MTFP presented a sustainable position over the short-term. £4.609m of savings were required over three years 2020/21 to 2022/23. The Force relied less on central government funding 56% compared to an average of 65% (UK Police Forces). This is predicted to fall to 51% over the life of the MTFP. Following a settlement with West Mercia Police for reasonable exit costs from the alliance, reserves were predicted to fall by £6.317m (MTF) in the three years from 31st March 2020 to 31 March 2023. General grant is maintained at a (healthy) 4% to 5% of net spend over the life of the MTFP.

Financial Management Review: Within the overall score (3) separate scores are given against each criteria. The Force scored highly in the dimensions of 'Delivering Accountability', 'Leadership' and 'Stakeholders' the main area of weakness and subject of recommendations to improve were in 'Processes' and 'Supporting Performance'.

Appendix II of the FMCR is attached (scoring). Also attached is the Issues and Recommendations and progress against each of these. The recommendations focus on the Financial Management Review, whereas the Financial Resilience is a state of the nation assessment.

Key Dates

Spring 2023 CIPFA to undertake second FMCR.

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Appendix II: FM Model Statement Definitions and Scoring

Three Financial Management styles:

Delivering Accountability

Emphasis on control, probity, meeting regulatory requirements and accountability.

Supporting Performance

Responsive to customers, efficient and effective, and with a commitment to improving performance.

Enabling Transformation

Strategic and customer-led, future orientated, proactive in managing change and risk, outcome focused and receptive to new ideas.

Four Management dimensions

Leadership

Strategic direction and business management, and the impact on financial management of the vision and involvement of the organisation's Board members and senior managers.

People

Includes both the competencies and the engagement of staff. This aspect generally faces inward to the organisation.

Processes

Examines the organisation's ability to design, manage, control and improve its financial processes to support its policy and strategy.

Stakeholders

Relationships between the organisation and those with an interest in its financial health; customer relationships within the organisation, between finance services and its internal users.

Rating	Qualifying Scoring	
*****	4.0	World Class
	3.75	Totally evidenced
	3.50	Strong
****	3.25	Highly evident
	3.0	Highly evident
***	2.75	Evident
	2.50	Mostly
**	2.25	Competent
	2.0	Basic
*	1.75	Lower than basic
	1.5	Minimal
	1.25	Weak
	1.0	Weak
	0.75	Inadequate
	0.5	Inadequate
	0	Not at all

Warwickshire Police Scoring by Statement

	Leadership		Warwick	Warwick
Delivering Accountability	L1	Financial capability is regarded as integral to supporting the delivery of the organisation's objectives. The CFO is an active member of the board, is at the heart of corporate strategy/business decision making and leads a highly visible, influential and supportive finance team.	****	3.25
	L2	The organisation has an effective framework of financial accountability that is clearly understood and applied throughout, from the board through executive and non-executive directors to front line service managers.	****	3.25
	L3	Within an annual budget setting process the organisation's leadership sets income requirements including tax and allocates resources to different activities in order to achieve its objectives. The organisation monitors the organisation's financial and activity performance in delivering planned outcomes.	***	2.75
Supporting Performance	L4	The organisation has a developed financial strategy to underpin medium and longer term financial health. The organisation integrates its business and financial planning so that it aligns resources to meet current and future outcome focussed business objectives and priorities.	****	3.25
	L5	The organisation develops and uses financial/leadership expertise in its strategic decision-making and its performance management based on an appraisal of the financial environment and cost drivers.	***	2.50
Enabling Transformation	L6	The organisation's leadership integrates financial management into its strategies to meet future business needs. Its financial management approach supports the change agenda and a culture of customer focus, innovation, improvement and development.	***	2.75

	People		Warwick	Warwick
Delivering Accountability	P1	The organisation identifies its financial competency needs and puts arrangements in place to meet them.	*	1.75
	P2	The organisation has access to sufficient financial skills to meet its business needs.	****	3.00
Supporting Performance	P3	The organisation manages its finance function to ensure efficiency and effectiveness.	**	2.25
	P4	Finance staff provide business partner support by interpreting and explaining performance as well as advising and supporting on key business decisions.	****	3.00
	P5	Managers understand they are responsible for delivering services cost effectively and are held accountable for doing so. Financial literacy is diffused throughout the organisation so that decision takers understand and manage the financial implications of their decisions.	**	2.25
Enabling Transformation	P6	The organisation develops and sustains its financial management capacity to help shape and support its transformational programme.	***	2.50

	Processes		Warwick	Warwick
Delivering Accountability	PR1	Budgets are accrual-based and robustly calculated	***	2.75
	PR2	The organisation operates financial information systems that enable the consistent production of comprehensive, accrual based, accurate and up to date data that fully meets users' needs.	*	1.25
	PR3	The organisation operates and maintains accurate, timely and efficient transactional financial services (eg creditor payments, income collection, payroll, and pensions' administration).	*	1.75
	PR4	The organisation's treasury management is risk based. It manages its investments and cash flows, its banking, money market and capital market transactions, balancing risk and financial performance.	*	1.50
	PR5	The organisation actively manages budgets, with effective budget monitoring arrangements that ensure 'no surprises' and trigger responsive action.	***	2.75
	PR6	The organisation maintains processes to ensure that information about key assets and liabilities in its balance sheet is a sound and current platform for management action.	*	1.25
	PR7	Management understands and addresses its risk management and internal control governance responsibilities.	***	2.50
	PR8	Management is supported by effective assurance arrangements, including internal audit, and audit and risk committee(s).	****	3.25
	PR9	The organisation's financial accounting and reporting are accrual based and comply with international standards and meet relevant professional and regulatory standards.	****	3.00
Supporting Performance	PR10	The organisation's medium-term financial planning process underpins fiscal discipline, is focussed upon the achievement of strategic priorities and delivers a dynamic and effective business plan.	****	3.00
	PR11	Forecasting processes and reporting are well developed and supported by accountable operational management. Forecasting is insightful and leads to optimal decision making.	**	2.25
	PR12	The organisation systematically pursues opportunities to reduce costs and improve value for money in its operations.	*	1.25
	PR13	The organisation systematically pursues opportunities for improved value for money and cost savings through its procurement, commissioning and contract management.	**	2.25
Enabling Transformation	PR14	The organisation continually re-engineers its financial processes to ensure delivery of agreed outcomes is optimised.	***	2.50
	PR15	The organisation's financial management processes support organisational change.	*	1.75

	Stakeholders		Warwick	Warwick
Delivering Accountability	S1	The organisation provides external stakeholders with evidence of the integrity of its financial conduct and performance, and demonstrates fiscal discipline including compliance with statutory/legal/regulatory obligations.	****	3.25
Supporting Performance	S2	The organisation demonstrates that it achieves value for money in the use of its resources.	*	1.00
Enabling Transformation	S3	The organisation is responsive to its operating environment, seeking and responding to customer and stakeholder service and spending priorities that impact on its financial management.	***	2.50
				2.50
Total Score				76.25
Average Score				2.63
Overall Star Rating				***

Improvement Plan

The table below details the steps required to implement the recommendations which have been made. These actions have been agreed with Warwickshire, together the appropriate persons to take responsibility.

Actions required	Current position	Lead responsibility	Timescale	Update 2022
Finance change programme covering budget holder competency and skills. Specific training to build an improved competency in financial and commercial matters across the organisation.	Varying degrees of competency leading to variable and inconsistent response from Finance.	Force FD	31.03.21	<p>The scale of the issue has increased with the complexity of 'commercialisation'</p> <p>Team members are participating in a range of development programmes provided under the CIPFA AFEP Programme appropriate to their role and aspirations, including training leading to a professional qualification.</p> <p>New post (Finance Business Partner [Projects]) being appointed to increase analytical capability leading to better decision making, exploring vfm, financial and non-financial data, demand data and using benchmarking.</p> <p>The Finance Competency Framework needs to be developed covering finance and non-finance staff (Budget Holders).</p>

Specific business partner training for Force Finance team	Many of the recipients of BP training are now in West Mercia's Finance team.	Force FD	Commence immediately- will take two years to roll out	Completed FBP are expected to complete post qualification CPD. New members of the team are systematically undergoing BP training.
Specific budget manager training	The organisation needs to consider what other training is required (specifically but not exclusively focused on budget manager training.	Force FD	31.03.21	<p>CIPFA delivered Budget Holder training to senior leaders (budget Holders).</p> <p>Top up training and other appropriate forms of training need to be considered.</p> <p>FBP support and develop Budget holders.</p>
Service offer and service plans for Finance team. Setting out performance targets, KPIs, clearer arrangements for budget delegation and budget holder autonomy.	Finance is lacking a service offer. Some budget holders are frustrated and lack knowledge on their boundaries of responsibility.	Force FD	31.03.21	<p>Authorities are set out in the Scheme of Delegation.</p> <p>Budget Management Guidance has been produced and circulated.</p> <p>Alongside forecast vs budget, KPI for outturn variation against the P3 forecast is produced, (Accuracy of forecast).</p> <p>Trading Accounts have been introduced to commercial units for example NCVS. This extends into cost management, demand and income forecasting.</p>

			Further attention needs to be given to accountability of Budget Holders.
Development of multi-year savings and efficiencies programme in relation to the MTFP. A more informed approach to savings is required to include wider efficiency agenda including benchmarking and VFM.	Currently not available. MTFP is refreshed year on year to reflect savings targets.	Force FD	<p>Phase 1 of the Finance Business plan post transition out of the alliance was to establish an in-house finance function. Phase 2 is develop business support, aid vfm, and decision making.</p> <p>Link to S.151 officers statutory responsibilities to ensure finance function has both the capacity and capability to properly administer financial affairs of the Force.</p> <p>Moved to 10 year MTFP. This has tested the savings assumptions and identified for example that no savings are required in 2022/23.</p> <p>The MTFP has been future proofed for Estates and ICT using an affordability window, which helps to prove resilience and sustainability of the Force by making long-term Minimum Revenue Provision MRP projections.</p>
		31.03.21	

				<p>Conducting 3 to 5, 10, 20 and 40 year workforce planning.</p> <p>Robust assessed MTFP assumptions for funding and costs.</p> <p>Work has started to better understand demand and the relationship with process, outputs /outcomes and costs.</p> <p>Removed knee jerk reaction of MTFP to variations in income and expenditure. Better strategic planning options.</p> <p>The FBP (Projects) will carryout further work on the MTFP, vfm and gathering data and context for decisions.</p> <p>Finance are working more closely with ASI to join up the business and financial planning and to develop analytical capability and products.</p>
<p>Finance to maintain close scrutiny of ICT and wider Evolve 2 work programme to ensure that programme slippage/scope creep is minimized.</p>	<p>Finance are represented on appropriate programme boards, but there are a number of key programme risks, that if realised could significantly impact on the programme's cost base.</p>	<p>Head of Financial Management & Business Planning</p>	<p>31.03.22 (Full transition to separation)</p>	<p>The Evolve programme is reaching completeness and is within original planning assumption for budget purposes.</p> <p>2022/23 will see the Operating Model for ICT/DS develop and</p>

this will compared to the increased budget built into the MTPF over last four years, (revenue and capital).

Develop a package of measures to upgrade Finance and commercial related policies and procedures.

Currently, many processes and procedures are reflective of the Alliance world.

Three documents in this area have been produced:

- Good & Balanced Budget.
- Business & Financial Planning.
- Budget Management.

These supersede alliance Cost Centre Managers Charter.

There are some (alliance) policies that need t be reviewed mainly inward focused (Finance Team) and dealing with transactional processing.

31.03.21
