

Framework Document For Governance of PSNI

JANUARY 2009

FRAMEWORK DOCUMENT FOR GOVERNANCE OF PSNI

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1. Introduction

1.1. This framework document has been drawn up by the Northern Ireland Office (“NIO”) in consultation with The Northern Ireland Policing Board (“the Board”) and the Police Service of Northern Ireland (“the PSNI”). This document sets out the broad framework within which the Board and PSNI will operate in dealing with the governance of police, and does not convey any legal powers or responsibilities. The document is signed and dated by the NIO, the Board and the PSNI. Copies of the document and any subsequent amendments have been placed in the Libraries of both Houses of Parliament and made available to members of the public on the PSNI website. The document is based on a model set out in the HM Treasury “Managing Public Money” guidance, and takes account of the legislative framework for policing in Northern Ireland.

2. Purpose

2.1. Specific arrangements are in place for policing in Northern Ireland, in line with the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003. Because of the tripartite nature of these arrangements, involving the PSNI, NIO and Policing Board, they do not follow a standard pattern for governance. The purpose of this framework document is to set out the framework in which the PSNI will operate in respect to the statutory and other responsibilities of each of the three parties. It is worth noting in particular that the legislation provides for the Chief Constable at times to act by virtue of his own powers, and sometimes – for practical reasons – to act for and on behalf of the Board. Paragraph 4.3 below sets out in more detail those responsibilities which are shared between the Chief Constable and Policing Board.

2.2. The accountability framework set out in this framework is bespoke, taking account of both the legislation and Treasury “Managing Public Money” guidance. The intention is to ensure reinforced accountability, more robust than either of the constituent parts taken in isolation.

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3. Purpose of the PSNI

3.1. The purpose of the Police Service of Northern Ireland is:

“To make Northern Ireland safer for everyone through professional, progressive policing.”

The PSNI’s long term objectives are to:

- contribute to increasing public safety through reducing crime and the fear of crime, preventing re-offending and bringing those to justice who break the law;
- increase public confidence in the PSNI through effective, efficient, visible and accountable policing; and
- be an effective partner in working with criminal justice agencies, other partners and the whole community.

3.2. The Chief Constable’s vision is:

A service everyone can be proud of because it provides policing at its best. We value honesty and openness; fairness and courtesy; partnerships, performance, professionalism; and respect for the rights of all.

Governance and Accountability Arrangements

4. Legislative roles

4.1. The Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003, sets out the roles and responsibilities of the Chief Constable, the Board, and the Secretary of State in relation to policing.

4.2. It is the role of the Department to ensure robust governance arrangements with organisations that it funds, to promote high performance and safeguard propriety and

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regularity. Due to the tripartite arrangements set out in the legislation, there are three areas of interface in relation to governance. The interface with the NIO and the Board; the interface with the NIO and the PSNI, including where the Chief Constable is exercising functions on behalf of the Board; and the interface between the Board and the PSNI in relation to shared responsibilities. The statutory responsibility of the Board for holding the Chief Constable to account for the effectiveness and efficiency of the PSNI shall be recognised by inclusion in the governance interface between the Department and the PSNI.

The following functions are performed by the PSNI on behalf of the Board:

- Directing and controlling Police staff
- Providing and maintaining buildings and equipment for police purposes
- Keeping proper accounts and related records
- Preparing and submitting an annual statement of accounts in relation to amounts put at his disposal

4.3. In areas where the Board and PSNI have shared roles, practical out-workings of the legislation have been adopted. These areas are as follows:

- i. Grants for police purposes
- ii. Estimates of funding for police purposes
- iii. Pension arrangements
- iv. Injury on duty arrangements
- v. Estates and equipment accountability
- vi. Police officers and staff responsibilities
- vii. Charges for special services

The legislative responsibilities in conjunction with the practical out-workings of these areas have been addressed separately in the following paragraphs.

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i. Grants for police purposes

4.4. The legislation states the Secretary of State makes an annual grant to the Board for police purposes, which the Board then puts at the disposal of the Chief Constable (*sections 9 and 10(5) of 2000 Act*).

4.5. In practice the PSNI request a drawdown of grant from the Board which writes to the relevant NIO division requesting the funds. The division then channels this request to the NIO centre, Financial Services Division, and funds are lodged into a Board bank account, from where they are transferred directly to the PSNI. The Board acts as a conduit for the funding, keeping track of the balance of funds. The Board's bank account should have a nil balance given that the funds should be debited and credited on the same day. Experience shows that the Board's Accounting Officer is responsible if this bank account becomes over/under drawn while processing funds for PSNI. The PSNI Accounting Officer is responsible for preparing the Accounts on behalf of and in the name of the Board (*section 12 of 2000 Act*).

ii. Estimates of funding for police purposes

4.6. Under the Act the Board must submit to the Secretary of State estimates of receipts and payments of the PSNI for police purposes which have been prepared and submitted to the Board by the Chief Constable, or with amendments as the Board may, after consulting the Chief Constable, determine. (*s.10(1) 2000 Act amended by s.6(4) 2003 Act*).

4.7. The Policing Board prepares an estimate of the resources required by the PSNI. The Chief Constable prepares a draft estimate to assist the Board. The NIO determines the policing budget within the overall Departmental allocation in light of the estimate.

4.8. The NIO is accountable for the overall use of resources within the budget. The Board's Resources and Improvement Committee plays the leading role in scrutinising the

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effectiveness and efficiency of PSNI use of resources. The Public Accounts Committee and Northern Ireland Audit Office operate in line with their statutory responsibilities.

4.9. The Board is responsible for the effectiveness and efficiency of the PSNI. Where local administrative arrangements are in place for direct communication between the NIO and the PSNI, all communications must be copied to the Board in recognition of this statutory responsibility.

iii. Pension arrangements

4.10. HM Revenue and Customs require that all registered pension schemes must have at least one Scheme Administrator. As the PSNI are not a legal entity they cannot assume the role of Pension Scheme Administrator. The Board has formally assumed the role of Pension Scheme Administrator.

4.11. The Board has authorised the PSNI as the Pension Scheme Authorised Practitioner to act on behalf of the Board. The Chief Constables prepares and signs the Police Pension Account on behalf of the Board.

4.12. The Board and PSNI must fulfil the roles and responsibilities of the Pension Scheme Administrator and the Pension Scheme Practitioner as laid out in HM Revenue & Customs guidance.

4.13. In line with section 12 of the Act, PSNI will prepare the Police Pension Accounts on behalf of and in the name of the Board.

4.14. A Police Pension Working Group with members from the NIO, PSNI and the Board has been set up to review the current pension arrangements. The outcome of this review may impact on the treatment of police pensions. Any changes will be reflected in this Framework Document.

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iv. Injury on duty arrangements

4.15. The roles and responsibilities for Injury on Duty are laid out in PSNI and PSNI Reserve (Injury Benefit) Regulations 2006. The Board as administrators are responsible for the adjudication of each case and have appointed the PSNI to administer the payment of the award from the grant to the Board put at the disposal of the Chief Constable. This approach also applies to Medical Retirements laid out in the RUC Pensions Regulations 1988 and the Police Pension (NI) Regulations 2007. The administration of the medical appeal process is the responsibility of the NIO as laid out in the 2006 regulations.

v. Estates & Equipment accountability

4.16. Under legislation the Board may provide and maintain buildings and equipment for police purposes. The Chief Constable exercises, on behalf of and in the name of the Board, powers to provide and maintain buildings and equipment for police purposes. The acquisition and disposal of land is carried out by the PSNI subject to approval by the Board.

4.17. The PSNI shall prepare an Estate Strategy to the Board setting out the proposal to spend capital which is approved by the Board.

vi. Police officers and staff responsibilities

Chief Constable and Senior Police Officers

4.18. Under s.35 of the 2000 Act, the Board is responsible for the appointment of the Chief Constable subject to the approval of the Secretary of State. The Board is also responsible for appointing the other Senior Police Officers (Deputy Chief Constable and Assistant Chief Constables) subject to the approval of the Secretary of State and after consultation with the Chief Constable. And the Board may call upon the Chief Constable or other Senior Officer to retire, subject to the requirements of the legislation.

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Civilian Chief Officers

4.19. Under s.4 of the 2000 Act, the Board is responsible for the appointment of Civilian Chief Officers (*i.e.* Director of Finance & Support Services and Director of Human Resources), subject to the approval of the Secretary of State and after consultation with the Chief Constable. Apart from appointment and dismissal, the Chief Constable exercises the functions of the employer, including the direction and control of Civilian Chief Officers on behalf of and in the name of the Board.

Police Officers

4.20. The appointment and promotion of all ranks of police officers, apart from Senior Police Officers, is by the Chief Constable (s.36 of the 2000 Act). The police shall be under the direction and control of the Chief Constable (s.33 of the 2000 Act).

Police staff

4.21. Police staff apart from Senior Civilian Officers shall be employed by the Board but all the functions of the employer – including appointment, dismissal, direction and control – shall be exercised by the Chief Constable for and on behalf of the Board (s.4(5) of the 2000 Act).

4.22. All Police officers' and Police staff costs (including Chief Officers) are paid directly by the PSNI and disclosed in PSNI's financial accounts.

vii. Charges for special services

4.23. Under section 11 of the legislation, the Chief Constable may provide special police services which are subject to charges on such scales, as may be determined and agreed by the Board. For example, supervising an event on private land. In practice, the Board will review and approve the basis of charging and the methodology used by the PSNI, as set

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out in the guidance rather than each individual case. Any charges for special services will be paid into the Grant to the Board put at the Chief Constable's disposal.

5. NIO Ministerial responsibility

5.1 The Secretary of State has political responsibility for policing and justice and is accountable within Parliament for policing and justice matters.

6. NIO's Accounting Officer's specific accountabilities and responsibilities

6.1. The Permanent Secretary of the Northern Ireland Office is the Department's principal Accounting Officer ("AO"). The NIO's AO has designated the Chief Constable as the PSNI's AO. The respective responsibilities of a principal Accounting officer and a Sub-Accounting officer are set out in Chapter 3 of Managing Public Money.

6.2. The NIO's AO is accountable to Parliament for the issue of any grant-in-aid paid through the Board to the PSNI. The AO is also responsible for advising the Secretary of State:

- on appropriate long term objectives for policing in the light of the department's wider strategic aims and current PSA;
- on an appropriate budget for the PSNI in the light of the sponsor department's overall public expenditure priorities, having considered the estimate submitted by the Board; and
- how well the PSNI is achieving its strategic objectives and whether it is delivering value for money.

6.3. In line with Managing Public Money, the NIO's AO is also responsible for ensuring arrangements are in place in order to:

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- monitor the PSNI's exercise of its functions on a continuous basis in order to ensure financial propriety, and through the Board to ensure the efficient use of public funds;
- address significant problems in the PSNI, making necessary interventions if required;
- annually or when deemed necessary, carry out an assessment of the risks both to the department and PSNI objectives and activities by requesting a copy of the PSNI's Risk Management policy and risk register;
- inform and involve the PSNI in development of relevant government policy in a timely manner; and
- bring concerns about the activities of the PSNI to the Chief Executive of the Board and the Chief Constable of the PSNI, requiring explanations and assurances that appropriate action has been taken.

6.4. The Director of Policing is the primary contact for the PSNI within the NIO. He/She provides support to the NIO AO in respect of their responsibilities in relation to the PSNI, and is the main source of advice to the Minister on the discharge of his/her responsibilities in respect of the PSNI.

7 Responsibilities of the Chief Constable as Police Service of Northern Ireland Accounting Officer

7.1. The Chief Constable as Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of the PSNI. In addition, he or she should ensure that the organisation complies with the governance, decision-making and financial management standards as set out in Box 3.1 of Managing Public Money.

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Chief Constable's responsibilities as AO to Parliament

7.2. The Chief Constable's responsibilities as AO include:

- signing the accounts as listed at paragraph 9.1 and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State, in the name of and on behalf of the Board;
- signing a Statement of AO's responsibilities, for inclusion in the Annual Report and accounts;
- signing a Statement on Internal Control regarding the system of internal control, for inclusion in the annual report and accounts;
- acting in accordance with the terms of this document, Managing Public Money and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office; and
- giving evidence, normally with the AO of the NIO, when called before the PAC on the PSNI's stewardship of public funds

Chief Constable's responsibilities as AO to the Department

7.3. The Chief Constable's responsibilities as AO include:

- consulting on and drafting the Policing Plan for submission to the Board, ensuring that the department's wider strategic aims and current PSA(s) are reflected. The Plan serves as the PSNI's corporate and business plans;

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- informing the department through the Board of progress in helping to achieve the department's policy objectives and in demonstrating how resources are being used to achieve those objectives; and
- ensuring that timely forecasts and monitoring information on performance and finance are provided through the Board to the department, that the department is notified promptly through the Board if over or under spends are likely and that corrective action is taken, and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the department through the Board in a timely fashion.

Chief Constable's responsibilities as AO to the PSNI Senior Management Team

7.4. The Chief Constable's responsibilities as AO include:

- advising SMT on the discharge of the responsibilities as set out in this document, in the governing legislation and in any other relevant instructions and guidance that may be issued from time to time;
- advising SMT on the organisation's performance compared with its aim[s] and objectives;
- ensuring that financial considerations are taken fully into account by SMT at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed;
- taking action as set out in paragraphs 3.7.5 of Managing Public Money if the PSNI, is contemplating a course of action involving a transaction which the Chief Constable considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, questionable feasibility, or is unethical.

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Chief Constable's responsibilities as AO to the Board

7.5. The Chief Constable's responsibilities as AO include to:

- consult the Board on long term policing objectives and to contribute to the drafting of the annual Policing Plan;
- carry out the functions on behalf of and in the name of the Board in relation to employment of staff (see section 20 Human Resources);
- enter into contracts regarding detention or escort of persons in custody on behalf of the Board;
- administer Injury on Duty payments which have been awarded by the Board;
- prepare the Accounts on behalf of and in the name of the Board (*section 12 of 2000 Act*) and submit a copy of the annual statement of account to the Board;
- submit a draft of estimates of receipts and payments to the Board *.(s.10(1) 2000 Act amended by s.6(4) 2003 Act).*
- provide and maintain buildings and equipment for police purposes in the name of and on behalf of the Board. An Estate Strategy should be prepared and presented to the Board for approval; and
- provide the Board with any information it may require on any matter connected with policing in Northern Ireland. In accordance with Section 59 of the Police (Northern Ireland) Act 2000.

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8. Chief Constable responsibilities for effective corporate governance

8.1. The PSNI should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The PSNI must set up an Audit Committee chaired by an independent non-executive member of the Audit Committee to provide independent advice. The PSNI is expected to assure itself of the effectiveness of the internal control and risk management systems.

8.2. The Chief Constable is specifically responsible for:

- developing, adopting and implementing the objectives and targets agreed by the Board, in a way consistent with the long term objectives of – and the resources made available by – the Secretary of State;
- ensuring that the Board and the responsible Minister are kept informed of any changes which are likely to impact on the strategic direction of the PSNI or on the attainability of its targets, and determining the steps needed to deal with such changes;
- ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the PSNI operates within the limits of its statutory authority and any delegated authority agreed with the NIO and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the PSNI takes into account guidance issued by the NIO;
- ensuring that SMT receives regular financial information concerning the management of the PSNI; is informed in a timely manner about any concerns about its activities; and provides positive assurance to the Department that appropriate action has been taken on such concerns; and

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- demonstrating high standards of corporate governance at all times, including by using the independent audit committee to help the PSNI to address key financial and other risks.

The Chief Constable's personal responsibilities are:

8.3. The Chief Constable is responsible to the Board for ensuring that the policies and actions of the PSNI support both the Policing Board's strategic objectives and the NIO's wider strategic direction and that its affairs are conducted with probity. Where appropriate, these policies and actions should be clearly communicated and disseminated throughout the PSNI. In terms of ministerial responsibility, the Chief Constable is responsible to the Secretary of State, with communications between PSNI and the NIO Ministers normally through the Chief Constable.

8.4. In addition, the Chief Constable has the following leadership responsibilities:

- contributing to the formulation of the Policing Plan;
- ensuring that the PSNI, in reaching decisions, takes proper account of guidance provided by the responsible Minister or the Department;
- promoting the efficient and effective use of staff and other resources;
- delivering high standards of regularity and propriety; and
- representing the views of the PSNI to the general public.

9 Annual report and accounts

9.1. In accordance with section 12 of the Act, on behalf of the Board, the PSNI must prepare an annual report and accounts after the end of each financial year. The NIO

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determine the information and form of these accounts, together with the timetable. There are four sets of accounts prepared:

- Main Police Account;
- Police Pension Account;
- Police Fund; and
- Police Property Fund.

The Chief Constable prepares and signs each of these sets of Accounts on behalf of the Board.

9.2. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the department as well as the FReM. (NOTE: This guidance will be updated with IFReM)

9.3. The Chief Constable shall keep proper records in relation to the accounts, and prepare a Statement of Account for each financial year on behalf of the Board. The Chief Constable shall submit the Statement of Account to the Board who shall send copies of the Statement of Account to the Secretary of State and the C&AG. The C&AG is responsible for certifying and laying the Accounts before Parliament.

9.4. The Annual Report must:

- cover any corporate, subsidiary or joint ventures under its control; and
- outline main activities and performance during the previous financial year and set out in summary form forward plans.

9.5. Information on performance against key financial targets is within the scope of the audit and should be included in the notes to the accounts. The report and accounts shall be laid in Parliament and made available on the PSNI's website.

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9.6. Under section 58 of the Act, the PSNI also produces a general report on policing, which should be submitted to the Board and NIO within 3 months of the year end. The NIO is required to lay this report before Parliament.

10. Internal audit

10.1. The PSNI shall:

- establish and maintain arrangements for internal audit in accordance with the Treasury's Government Internal Audit Standards (GIAS) (http://www.hmtreasury.gov.uk/...gia_guidance.cfm);
- ensure the NIO and the Board are satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with GIAS 5.2;
- set up an audit committee in accordance with the Cabinet Office's Guidance on Code of Practice for Public Bodies and the Audit Committee Handbook;
- forward the audit strategy, periodic audit plans and annual audit report, including the PSNI's Head of Internal Audit opinion on risk management, control and governance as soon as possible to the NIO and the Board; and
- keep records of, and prepare and forward to the department and the Board an annual report on fraud and theft suffered by the PSNI and notify the Board and the NIO of any unusual or major incidents as soon as possible.

10.2. The NIO's internal audit service has a right of access to all documents prepared by the PSNI's internal auditor, including where the service is contracted out. Any such requests will be shared with the Board.

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11 External audit

11.1. The Comptroller & Auditor General (C&AG) audits the PSNI's annual accounts and lays them before Parliament, together with his report.

11.2. In the event that the PSNI has set up and controls subsidiary companies, the PSNI will, in the light of the provisions in the Companies Act 2006 ensure that the C&AG is appointed auditor of those company subsidiaries that it controls and/or whose accounts are consolidated within its own accounts. The PSNI shall discuss with the NIO the procedures for appointing the C&AG as auditor of the companies.

11.3. The C&AG:

- will consult the NIO, the Board and the PSNI on whom - the NIAO or a commercial auditor – shall undertake the audit(s) on his behalf, though the final decision rests with the C&AG;
- has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from the PSNI;
- will share with the NIO and the Board, information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on the NIO's responsibilities in relation to financial systems within the PSNI;
- will, where asked, provide the NIO, the Board and other relevant bodies with Regulatory Compliance Reports and other similar reports which the NIO may request at the commencement of the audit and which are compatible with the independent auditor's role.

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11.4. The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the PSNI has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the PSNI shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

Management and financial responsibilities

12 Managing Public Money and other government-wide corporate guidance and instructions

12.1. Unless agreed by the department and, as necessary, HM Treasury, the PSNI shall follow the principles, rules, guidance and advice in Managing Public Money, referring any difficulties or potential bids for exceptions to the NIO Director of Policing in the first instance on behalf of the Board and to the Board. A list of guidance and reporting requirements with which the PSNI should comply is detailed in the Financial Memorandum at Annex 3.

12.2. Once the budget has been approved by the NIO and subject to any restrictions imposed by statute, the Secretary of State's instructions and the instructions laid out in this document (in particular the budgetary conditions set out in Annex 3), the PSNI shall have authority to incur expenditure approved in the budget, on the following conditions:

- the PSNI shall comply with the delegations set out in Annex 1. These delegations shall not be altered without the prior agreement of the NIO;
- the PSNI shall comply with Managing Public Money guidance regarding novel, contentious or repercussive proposals;

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- inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed; and
- the PSNI shall provide the NIO and the Board with such financial information about its operations, and financial performance as is reasonably required.

13 Corporate governance

Board appointments – the Chief Constable

13.1. The Chief Constable is appointed by the Board with the approval of the Secretary of State.

Composition of the Senior Management Team

13.2. In line with the government's Code of Practice on Corporate Governance (http://www.hm-treasury.gov.uk/...governance_corporate.cfm), the PSNI's SMT will consist of a Chief Constable, together with [number] of Senior Officers and Civilian Chief Officers that have a balance of skills and experience appropriate to directing the PSNI's business. There should be members who have experience of its business, operational delivery, corporate services such as HR, IS, technology, property asset management, estate management, communications and performance management. There shall be Non-Executive Members on the Audit & Risk Committee, which is a sub-committee of the SMT.

14 Risk management

14.1. The PSNI shall ensure that risks are managed appropriately, in line with relevant aspects of best practice in corporate governance, and develop a risk management strategy, in accordance with the Treasury guidance Management of Risk: Principles and Concepts (<http://www.hm-treasury.gov.uk/...risk>). It should adopt and implement policies and

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practices to safeguard itself against fraud and theft, in line with the Treasury's guide: Managing the Risk of Fraud

(http://www.hm-treasury.gov.uk/...fraud_guide_for_managers.pdf). It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant-in-aid. The PSNI will share its risk register with the Board and the NIO.

15 Policing Plan

15.1. Having considered the views of the Board, DPPs and the public, the Chief Constable drafts the Policing Plan. The Policing Board, following consultation with the Secretary of State, approves and publishes the Plan before the start of each financial year. The Plan should demonstrate how the Chief Constable aims to use the available resources to fulfil the objectives, performance indicators and targets set by the Policing Board.

15.2. The Policing Plan should set out annual objectives, performance indicators and targets for the PSNI and should provide a strategic view of policing in Northern Ireland over the following three year period.

15.3. The Policing Plan should contain an assessment of the requirements for educating and training police officers and police staff.

15.4. The objectives, performance indicators and targets contained in the Policing Plan should relate to and be consistent with the Secretary of State's Long Term Policing objectives and any Departmental PSA Targets directly related to policing.

15.5. The PSNI shall submit annually to the Board who will then submit to the NIO a draft of the Policing Plan covering three years ahead. The draft should be submitted within a period agreed with the NIO. The plan shall reflect the PSNI's statutory duties and priorities set by the Secretary of State (including the long term objectives for policing, and decisions taken on policy and resources in the light of wider public expenditure decisions). The plan

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shall demonstrate how the PSNI contributes to the achievement of the department's PSA targets. The Board may adopt the Chief Constable's draft Policing Plan as submitted or with amendments and must consult with the Secretary of State prior to issuing the Annual Policing Plan.

15.6. The Policing Plan shall be updated to include targets and key milestones for the year immediately ahead and provide budgeting information on resources allocated to deliver the objectives as identified in the Policing Plan. Subject to any commercial considerations, the Policing Plan should be published by the PSNI on its website and separately be made available to staff.

15.7. The following key matters should be included in the plans:

- key objectives and associated key performance targets for the forward years, and the strategy for achieving those objectives;
- key non-financial performance targets;
- alternative scenarios and an assessment of the risk factors that may significantly affect the execution of the plan but that cannot be accurately forecast; and
- other matters as agreed between the department and the Board.

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16 Annual Budgeting procedures

16.1. Each year, in the light of decisions by the department on the updated draft Policing Plan, the Department will send to the Board, within a period determined by the NIO:

- a formal statement of the annual budgetary provision allocated by the department in the light of competing priorities across the department and of any forecast income approved by the department; and
- a statement of any planned change in policies affecting the PSNI.

The Board will send the formal statement to the Chief Constable.

16.2. The approved Policing Plan will take account both of approved funding provision and any forecast receipts, and will include a resource budget of estimated payments and receipts together with a profile of expected expenditure and of draw-down of any departmental funding and/or other income over the year.

17 Grant-in-aid and any ring-fenced grants

17.1 The PSNI receives two separate grants-in-aid; one for pension grant and one for a main grant. The grant-in-aid provided by the NIO for the year in question will be voted in the NIO's Supply Estimate and be subject to Parliamentary control.

17.2 The grant-in-aid will normally be paid in instalments on the basis of written applications showing evidence of need by the NIO to the Board who will in turn pay over to the PSNI. The Board will ensure there are sufficient and appropriate funds available to the PSNI, in line with the agreed budget. The PSNI will comply with the general principle of no payment in advance of need.

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17.3 Cash balances accumulated during the course of the year from grant-in-aid or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of the PSNI. Grant-in-aid not drawn down by the end of the financial year shall lapse. Subject to approval by Parliament of the relevant Estimates provision, where grant-in-aid is delayed to avoid excess cash balances at the year-end, the NIO will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year end, such as creditors.

17.4 The PSNI will have the opportunity to adjust grant-in-aid requirements through the Board at the in-year monitoring rounds subject to NIO and HM Treasury approval. The PSNI will ensure that the final grant-in-aid requirement will not exceed the grant-in-aid requirement published in the Spring Estimates of that year.

17.5 In the event that the NIO provides the PSNI separate grants through the Board for specific (ringfenced) purposes, it would issue the grant in response to a written request from the PSNI. The PSNI would provide evidence that the grant was used for the purposes authorised by the department. The PSNI shall not have uncommitted grant funds in hand, nor carry grant funds over to another financial year without prior approval.

18 Reporting performance to the department

18.1. The PSNI in the name and on behalf of the Board shall operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the corporate and business plans. The PSNI shall inform the Board and the NIO of any significant changes that could impact on the achievement of objectives. It shall report financial and non-financial performance, including performance in helping to deliver ministers' policies, and the achievement of key objectives.

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Providing monitoring information to the department

18.2. As a minimum, the PSNI shall provide the department through the Board with information on a monthly basis to enable the department satisfactorily to monitor:

- the PSNI's cash management;
- its draw-down of grant-in-aid;
- forecast outturn by resource headings;
- other data required for the Combined On-line Information System (COINS).

Further guidance on financial reporting and budgetary controls are detailed in the Financial Memorandum at Annex 3.

PSNI/Department working level liaison arrangements

18.3. Departmental officials will liaise on a quarterly basis with Board and PSNI officials to review the PSNI's financial performance against plans and achievement against PSNI targets. These meetings will also be used to inform of wider policy developments that might have an impact on the PSNI.

19 Delegated authorities

19.1. The PSNI's delegated authorities are set out in Annex 1. The PSNI shall obtain the department's prior written approval before:

- entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the PSNI's annual budget as approved by the NIO;

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- incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the department;
- making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or
- carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.

20. Human Resources

Appointment and dismissal

20.1. Under s.35 of the 2000 Act, the Board is responsible for the appointment of the Chief Constable subject to the approval of the Secretary of State. The Board is also responsible for appointing the other Senior Police Officers (*i.e.* Deputy Chief Constable and Assistant Chief Constables) subject to the approval of the Secretary of State and after consultation with the Chief Constable. The appointment and promotion of all ranks of police officer apart from Senior Police Officers is by the Chief Constable (s.36 of the 2000 Act). The police shall be under the direction and control of the Chief Constable (s.33 of the 2000 Act).

20.2. Under s.4 of the 2000 Act, the Board is responsible for the appointment of Civilian Chief Officers (*i.e.* currently Director of Finance & Support Services and Director of Human Resources), subject to the approval of the Secretary of State and after consultation with the Chief Constable. The Chief Constable exercises functions on behalf of and in the name of the Board in relation to the direction

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and control of Civilian Chief Officers and the direction, control, appointment and dismissal of all other Police staff.

Responsibilities

20.3. The Chief Constable has the following responsibilities for the officers and staff of the PSNI:

- to ensure that the level and structure of its staffing, including grading and officers and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness;
- to ensure that the performance of its officers and staff at all levels is satisfactorily appraised and the PSNI performance measurement systems are reviewed from time to time;
- to ensure that its officers and staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the PSNI objectives, in line with the Policing Plan;
- to ensure that proper consultation with officers and staff takes place on key issues affecting them;
- to ensure that adequate grievance and disciplinary procedures are in place in line with good practice and LRA guidance;
- to ensure that whistle-blowing procedures consistent with the Public Interest Disclosure Act are in place;
- to ensure that the rules for recruitment and management of officers and staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit: [and subject to the requirements of the temporary 50:50 recruitment policy] there is no discrimination on grounds of gender, marital status,

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sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age.

20.4 The Policing Board is responsible for:

- securing that the arrangements for grading, recruitment, promotion, training and allocation of officers and staff of the PSNI by the Chief Constable are efficient and effective;
- for holding the Chief Constable to account for the exercise of the functions of employer;
- issuing a code of ethics for PSNI officers and staff, having considered the views of the Chief Constable, and also reflecting regulations made by the Secretary of State;
- ensuring that adequate grievance, disciplinary and whistle-blowing procedures are in place.

20.5 The Secretary of State is responsible for:

- Making regulations with respect to the employment and management of Police officers and Police staff, reflecting the decisions of the Policing Board taken in consultation with the Chief Constable;
- Setting terms and conditions, levels of remuneration, pay structure and any performance-related pay schemes, *etc.* on the recommendation of the Police Negotiating Board.

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Officers and staff costs

20.6 Subject to its delegated authorities, the PSNI shall ensure that the creation of any additional posts does not incur forward commitments that will exceed its ability to pay for them.

Pay and conditions of service

20.7 PSNI officers and staff are subject to levels of remuneration and terms and conditions of service (including pensions) within the general pay structure approved by the NIO and the Treasury. The PSNI has no delegated power to amend these terms and conditions.

20.8 Officers and Staff terms and conditions should be set out in an Employee Handbook, which should be provided to the Board and the Department together with subsequent amendments.

20.9 The Police Support Staff (Transfer of Employment) Regulations (Northern Ireland) 2008, effective from 1 October 2008, transfer civil servants seconded to work as police staff to the employment of the Board under the direct control of the Chief Constable.

20.10 Where relevant, any performance-related pay scheme shall form part of the annual aggregate pay budget approved by the department or the general pay structure approved by the department and Treasury whichever is applicable.

20.11 The PSNI shall comply with the EU Directive on contract workers – the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations.

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Pensions, redundancy and compensation

20.12 PSNI officers and staff shall normally be eligible for a pension provided by [its own scheme][state second pension][PCSPS][LGPS][other]. Officers and staff may opt out of the occupational pension scheme provided by the PSNI, but that employers' contribution to any personal pension arrangement, including stakeholder pension shall normally be limited to the national insurance rebate level.

[Note that there is an exception for NDPBs covered by the PCSPS partnership arrangement, and for PCSPS by-analogy versions.]

20.13 Any proposal by the PSNI to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of the NIO [Up to delegated limits]. Proposals on severance must comply with the rules in chapter 4 of Managing Public Money.

21 Arrangements in the event that the PSNI is wound up

21.1. The NIO shall put in place arrangements to ensure the orderly winding up of the PSNI. In particular it should ensure that the assets and liabilities of the PSNI are passed to any successor organisation and accounted for properly. (In the event that there is no successor organisation, the assets and liabilities should revert to the NIO.) To this end, the NIO shall:

- ensure that procedures are in place in the PSNI to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body;
- specify the basis for the valuation and accounting treatment of the PSNI's assets and liabilities;

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- ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit, and that funds are in place to pay for such audits. It shall be for the C&AG to lay the final accounts in Parliament/the Assembly, together with his report on the accounts;
- arrange for the most appropriate person to sign the closing accounts. In the event that another PSNI takes on the role, responsibilities, assets and liabilities, the succeeding PSNI AO should sign the closing accounts. In the event that the department inherits the role, responsibilities, assets and liabilities, the sponsor department's AO should sign.

21.2. The PSNI shall provide the department with full details of all agreements where the PSNI or its successors have a right to share in the financial gains of developers. It should also pass to the department details of any other forms of claw-back due to the PSNI.

22. Review of Framework Document

22.1 The Framework Document will normally be reviewed at least every [four] years or following a review of the NDPB's functions as provided for in Section 21 above.

22.2 The NIO will be consulted on any significant variation proposed to the Framework Document.

Signed....**J Phillips**..... Signed....**Hugh Orde**..... Signed....**D Donnelly**.....

Date..... **12.03.09**..... Date.....**28.01.09**..... Date.....**06.02.09**.....

(On behalf of the NIO) (On behalf of the PSNI) (On behalf of the NIPB)

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DELEGATED AUTHORITIES BETWEEN NIO AND THE POLICE SERVICE OF NORTHERN IRELAND

Category of spend	Delegated Limits
All Resource expenditure	Subject to budget cover – unlimited except if item is novel or contentious or new proposal over £3m (non IT) and £500k (IT).
Service Level Agreements (SLAs)	£3m
Grants, subscriptions to, or contributions towards the costs of institutions whose services are of benefit to the PSNI	£50k
Employment of consultants	£50k
Compensation Payments For admission claims made under a specific statutory provision or at common law, including claims for personal injury and property damage. Such compensation should normally only be paid on the advice of the Crown Solicitor	£100k
Legal Fees: Defence of criminal proceedings Initiation of legal proceedings	No financial limits No financial limits but expenditure subject to Board approval in each case. NIO to be informed of any cases which are likely to attract public interest or deemed to be novel or contentious
Gifts	£100 on approval from the Chief Constable
Capital Expenditure	
Non IT capital expenditure	£3m

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IT capital expenditure	£500k
Contract variations (other than variations on price)	5% or £100k whichever the greater, subject to internal controls
Capital Grants to, or contributions to institutions whose services are of benefit to the PSNI	£50k
Special Payments	
Extra contractual and ex gratia payments	£10k
Losses / Write Off	
Stores losses	£50k per individual Board of Survey
All other losses / write offs	£25k

NOTE: the amounts indicated represent the limit of the authority in individual cases unless otherwise stated. None of the above overrules the requirement to seek approval for any matter which might be deemed novel or contentious regardless of cost or which may be outside normal Departmental and HM Treasury guidance such as:

- Managing Public Money
- Corporate governance guidelines (Annex 2)
- NIO Business Case guidance/Delegations
- NIO Gifts and hospitality guidance
- NIO Use of External Consultants / Professional Services.

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LIST OF GOVERNMENT-WIDE CORPORATE GUIDANCE INSTRUCTIONS

The PSNI shall comply with the following general guidance documents and instructions:

- this document;
- Appropriate adaptations of sections of Corporate Governance in Central Government Departments: Code of Good Practice
http://www.hmtreasury.gov.uk/.../governance_risk/psr_governance_corporate.cfm;
- Managing Public Money (MPM);
- Government Internal Audit Standards,
http://www.hmtreasury.gov.uk/...gia_guidance.cfm;
- Management of Risk: Principles and Concepts:
www.hmtreasury.gov.uk/media/3/5/FE66035B-BCDC-D4B3-11057A7707D2521F.pdf;
- Managing the Risk of Fraud,
www.hmtreasury.gov.uk/media/C/3/managing_the_risk_fraud_guide_for_managers.pdf;
- Government Financial Reporting Manual (FReM), www.financial-reporting.gov.uk/;
- Fees and Charges Guide, Chapter 6 of MPM;
- Departmental Banking: A Manual for Government Departments, annex 5.7 of MPM ;
- relevant Dear Accounting Officer letters;
- Regularity, Propriety and Value for Money,
www.hmtreasury.gov.uk/media/A/2/Reg_Prop_and_VfM-November04.pdf;

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- The Parliamentary Ombudsman's Principles of Good Administration
www.ombudsman.org.uk/improving_services/good_administration/index.html ;
- Consolidation Officer Memorandum, and relevant DCO letters;
- relevant Freedom of Information Act guidance and instructions (Ministry of Justice);
- Model Code for Staff of Executive Non-departmental Public Bodies (Cabinet Office);
- other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;
- other relevant instructions and guidance issued by Central Departments;
- specific instructions and guidance issued by the NIO;
- recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and relevant to the PSNI.

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PSNI FINANCIAL MEMORANDUM

1. Introduction

1.1. This Financial Memorandum sets out certain aspects of the financial framework within which the PSNI is required to operate.

1.2. The terms and conditions set out in this Annex may be supplemented by guidelines or directions issued by the NIO in respect of the exercise of any individual functions, powers and duties of the PSNI.

1.3. The PSNI shall satisfy the conditions and requirements set out in the combined framework document, together with such other conditions as the sponsor Department/Minister may from time to time impose.

2. PSNI's Income and Expenditure General

The Departmental Expenditure Limit (DEL)

2.1. The PSNI's current and capital expenditure form part of the NIO's Resource DEL and Capital DEL respectively. Elements of the PSNI's Pension scheme expenditure form part of the NIO's AME.

Expenditure not proposed in the budget

2.2. The PSNI shall not, without prior written Departmental approval, enter into any undertaking to incur expenditure which falls outside the PSNI's delegations or which is not provided for in the PSNI's annual budget as approved by the NIO.

Procurement

2.3. The PSNI's procurement policies shall reflect guidance from the Office of Government Commerce including Procurement Policy Guidelines. The PSNI shall also ensure that it complies with any relevant EU or other international procurement rules.

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2.4. Periodically and wherever practicable the PSNI's procurement shall be benchmarked against best practice elsewhere and contracted out where this would achieve better value for money.

Competition

2.5. Contracts shall be placed on a competitive basis and tenders accepted from suppliers who provide best value for money overall.

2.6. Proposals to let single-tender or restricted contracts shall be subject to a specified delegated authority, and the PSNI shall send to the Department through the Board after each financial year a report for that year explaining any contracts above £3m Non-IT and £500k IT in which competitive tendering was not employed.

Timeliness in paying bills

2.7. The PSNI shall collect receipts and pay all matured and properly authorised invoices in accordance with the terms of contracts or within agreed timeframes, as provided for in Annex 4.6 of Managing Public Money. The PSNI shall comply with the British Standard for Achieving Good Payment Performance in Commercial Transactions (BS 7890), and is subject to the Late Payment of Commercial Debts (Interest) Act 1998 as amended. [NOTE: The 1998 Act allows creditors to claim statutory interest and compensation on late payment of commercial debts.]

Novel, contentious or repercussive proposals

2.8. The PSNI shall obtain the approval of the NIO before:

- incurring any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications, including on staff benefits;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the NIO;
- making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other

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public sector bodies) or which might significantly affect the future level of resources required.

Risk management

2.9. The PSNI shall adhere to section 14 of the Framework Document relating to risk management and fraud.

2.10. The PSNI shall take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract, give grant or grant-in-aid.

Stewardship reporting

2.11. Stewardship reporting enables the Departmental Accounting Officer to satisfy him/herself that all prescribed management practices are being adhered to throughout the Department, the Agencies and Arms Length Bodies. The PSNI Accounting Officer shall complete and sign a stewardship report twice yearly or when requested, to tie in with the Department's own assurance processes and return to the Director of Policing in the NIO.

Wider markets

2.12. In accordance with the wider markets policy the PSNI shall seek to maximise receipts from non-Exchequer sources provided that this is consistent with (a) the PSNI's main functions (b) its Policing Plan as agreed with the Board and the NIO.

Fees and charges

2.13. Fees or charges for any services supplied by the PSNI shall be determined in accordance with the Treasury's Fees and Charges Guide, and with the Freedom of Information Act.

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3. PSNI FUNDING ARRANGEMENTS

Spending Reviews

3.1. A Spending Review sets a fixed allocation over three years. The PSNI should plan to live within the budget set for each year. Any requests to transfer budgets between each year within the Spending Review period should be made to the Department through the Board.

Annual Estimate

3.2. The PSNI will prepare an annual estimate each year in line with the budget allocation set at the Spending Review for submission to the Board for consideration in accordance with legislative requirements within a timescale agreed with the Board.

In-year Monitoring Rounds

3.3. The PSNI will be provided with the opportunity to notify the department through the Board of pressures or easements against its opening budget at two monitoring rounds in August and November. PSNI must adhere to the in-year monitoring timetable set by the Department to enable the NIO to meet internal and Treasury deadlines. PSNI should not assume that all funding requests will be granted. Any funding requests will be considered by the NIO Finance Committee taking into consideration financial commitments throughout the Department. The outcome of the November Monitoring Round will set the final budget for the year. PSNI should ensure that they live within this budget as there will not be any further opportunity to increase or decrease the budget after this point.

Year end/Carry forward balances

3.4. Requests to carry forward year end underspends must be made to the Department through the Board and approvals will be made by the NIO Finance Committee. The PSNI should not exceed its year end budget.

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Grant-in-aid

3.5. The PSNI shall adhere to section 17 of the Framework Document relating to Grant-in-aid and ring-fenced budgets.

3.6. The PSNI should have regard to the guidance in DAO (GEN)14/01 and to the general principle enshrined in Annex 5.1 of Managing Public Money that it should seek grant-in-aid according to need.

Transfer of funds within budgets

3.7. Unless financial provision is subject to specific Departmental or Treasury controls e.g. where provision is ring-fenced for specific purposes there are restrictions on transfer funds as follows:

- movement from capital to resource
- movement from non-cash resource to near-cash resource
- movement from AME to DEL

Any movements in these restricted areas should be discussed with the Board and the Director of Policing in the NIO at the earliest opportunity and the final decision will be at the discretion of the Department.

3.8. To enable the Department to manage its overall budget the following movements should be discussed with the Directorate who will present a case for approval to the Departmental Finance Committee at in-year monitoring rounds:

- movement from near-cash to non-cash
- movement from resource to capital

3.9. There are maybe restrictions on certain budgets which are managed centrally within the Directorate. Any movements within these budgets must be approved by the Directorate. Details of these restrictions will be communicated to the PSNI through the Board.

COINS and Monthly Reporting

3.10. To enable the Department to meet Treasury data reporting deadlines, PSNI will provide the Department through the Board with an agreed COINS return with explanations for major variances within agreed timeframes. The figures and explanations supplied in the COINS return will be also reported to the NIO Finance Committee each month.

Receipts from sale of goods or services and capital

3.11. Receipts of goods and services and capital in excess of budgets must be notified to the Directorate in the first instance as it is a Finance Committee (and/or Ministerial) decision as to how such surpluses should be prioritised. There is a requirement for a shortfall in receipts to be met through reduced spend.

Fines, taxes and other receipts

3.12. Most fines and most taxes (including levies and some licences) are not negative public expenditure and do not provide additional DEL spending power. Such receipts shall either be surrendered to the Department or, if retained, shall either reduce the need for grant-in-aid or, if used to finance additional expenditure by the PSNI, shall require additional DEL cover from the Department.

Interest earned

3.13. Any interest earned by the PSNI on its assets shall be given the same budgeting treatment as the cost of capital charge on the assets.

3.14. Under SR2007 budgeting rules (which operate from 2008-09), the cost of capital charge and any interest receipts on most DEL financed assets score as resource DEL.

3.15. If the receipts are used to finance additional expenditure by the PSNI, the NIO will need to ensure it has the necessary DEL cover. Any interest earned on cash balances arising from grant-in-aid or other Exchequer funds shall be treated as a receipt from an Exchequer source. Depending on the budgeting treatment of this receipt, and its impact on the PSNI's cash requirement, it may lead to commensurate reduction of

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grant-in-aid or be required to be surrendered to the Consolidated Fund via the Department.

Proceeds from disposal of assets

3.16. The PSNI shall dispose of assets which are surplus to its requirements. Assets shall be sold in accordance with VLA policy. High value assets shall be sold by auction or competitive tender [unless otherwise agreed by the NIO], and in accordance with Annex 4.8 of Managing Public Money.

3.17. Disposal proceeds from capital assets are a Departmental Resource, but the PSNI may retain receipts derived from the sale of assets provided that:

- the NIO and the Treasury are content for the PSNI to retain these receipts;
- they are used to finance other capital spending;
- the NIO receives prior notification of individual sales;
- total sales in any financial year do not exceed a limit agreed with the Department

3.18. If the criteria above is not met, any receipts shall be dealt with in line with the rules on surplus in-year receipts (paragraph 3.11 above).

4. PSNI Expenditure

Economic appraisal

4.1. The PSNI is required to apply the principles of economic appraisal, with appropriate and proportionate effort, to all decisions and proposals concerning spending or saving public money, including European Union (EU) funds, and any other decisions or proposals that involve changes in the use of public resources. For example,

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appraisal must be applied irrespective of whether the relevant public expenditure or resources:

- involve capital or current spending, or both;
- are large or small;
- are above or below delegated limits(see Annex 1).

4.2. Appraisal itself uses up resources. The effort that should go into appraisal and the detail to be considered is a matter for case-by-case judgement, but the general principle is that the resources to be devoted to appraisal should be in proportion to the scale or importance of the objectives and resource consequences in question. Judgement of the appropriate effort should take into consideration the totality of the resources involved in a proposal. In accordance with NIO Business Case guidance, business cases must be prepared for **all projects over £100k**. A log of all cases above £100k should be kept in the finance branch and copies of the log should be sent to the Department through the Policing Board every quarter.

4.3. General guidance on economic appraisal that apply to NDPBs can be found in:

- The HM Treasury Guide, The Green Book: Appraisal and Evaluation in Central Government.

Borrowing

4.4. The PSNI shall observe the rules set out in Section 5.6 of Managing Public Money when undertaking borrowing of any kind. The PSNI shall seek the approval of the Department through the Board to ensure that it has any necessary authority and budgetary cover for any borrowing or the expenditure financed by such borrowing.

Reserves

4.5. No grant or grant-in-aid shall be paid into any reserve held by the PSNI. Funds in any reserve may be a factor for consideration when grant-in-aid is determined.

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Gifts and Hospitality

4.6. The PSNI will take into account the Department's policy and practice on the Gifts and Hospitality. Please see the delegated limits set out in Annex 1.

Use of Consultants

4.7. The PSNI will take into account the Department's policy and practice on the use and recruitment of external consultants. Please see the delegated limits set out in Annex 1.

Lending, guarantees, indemnities; contingent liabilities; letters of comfort

4.8. The PSNI shall not, without the NIO's prior written consent, lend money, charge any asset or security, give any guarantee or indemnities or letters of comfort, or incur any other contingent liability (as defined in Chapter 5 of Managing Public Money), whether or not in a legally binding form.

Grant or loan schemes

4.9. Unless covered by a delegated authority, all proposals to make a grant or loan to a third party, whether one-off or under a scheme, together with the terms and conditions under which such grant or loan is made shall be subject to prior approval by the sponsor Department, and where necessary HMT. If grants or loans are to be made under a continuing scheme, statutory authority is likely to be required.

4.10. The terms and conditions of a grant or loan to a third party shall include a requirement on the receiving organisation to prepare accounts and to ensure that its books and records in relation to the grant or loan are readily available for inspection by the NDPB, the sponsor Department and the C&AG.

Gifts made, write-offs, losses and other special payments

4.11. Proposals for making gifts or other special payments (including write-offs) outside the delegated limits set out in Annex A of this document must have the prior approval of the NIO.

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Public/Private Partnerships

4.12. The PSNI shall seek opportunities to enter into Public/Private Partnerships where this would be more affordable and offer better value for money than conventional procurement. Where cash flow projections may result in delegated spending authority being breached the PSNI shall consult the Board and the NIO.

4.13. Any partnership controlled by the PSNI shall be treated as part of the PSNI in accordance with UK GAAP and consolidated with it [subject to any particular treatment required by UK GAAP]. Where the judgment over the level of control is a close one the NIO will consult the Treasury (who may need to consult with the Office of National Statistics over national accounts treatment).

Subsidiary companies and joint ventures

4.14. The PSNI shall not establish subsidiary companies or joint ventures without the express approval of the NIO, following consultation with the Board. In judging such proposals the NIO will have regard to the NIO's wider strategic aims objective and current Public Service Agreement.

4.15. Any subsidiary company or joint venture controlled or owned by the PSNI shall be consolidated with it in accordance with UK GAAP for public expenditure accounts purposes [subject to any particular treatment required by UK GAAP]. Where the judgment over the level of control is a close one the NIO will consult the Treasury (who may need to consult with the Office of National Statistics over national accounts treatment). Unless specifically agreed with the NIO and the Treasury, such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in this Framework Document and financial memorandum, and to the further provisions set out in supporting documentation.

Financial investments

4.16. The PSNI shall not make any investments in traded financial instruments without the prior written approval of the NIO, nor shall it aim to build up cash balances or net assets in excess of what is required for operational purposes. Equity shares in ventures

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which further the objectives of the PSNI shall equally be subject to NIO approval unless covered by a specific delegation.

Unconventional financing

4.17. Unless otherwise agreed with the NIO, the PSNI shall not enter into any unconventional financing arrangement.

Insurance

4.18. The Chief Constable will not provide for insurance except as statutorily required to do so or as otherwise approved by the Department

Waiver of Claims for Compensation

4.19. The Chief Constable will not make claim under criminal damage and related legislation.

Register of assets

4.20. The PSNI shall maintain an accurate and up-to-date register of its fixed assets.

Recovery of grant-financed assets

4.21. Where the PSNI has financed expenditure on capital assets by a third party, the PSNI shall make appropriate arrangements to ensure that any such assets above £50k are not disposed of by the third party without the PSNI's prior consent.

Banking arrangements

4.22. The PSNI's banking arrangements should be in accordance with the requirements of Managing Public Money and the Treasury guidance document Departmental Banking: a Manual for Government Departments and arrangements administered by the Department.