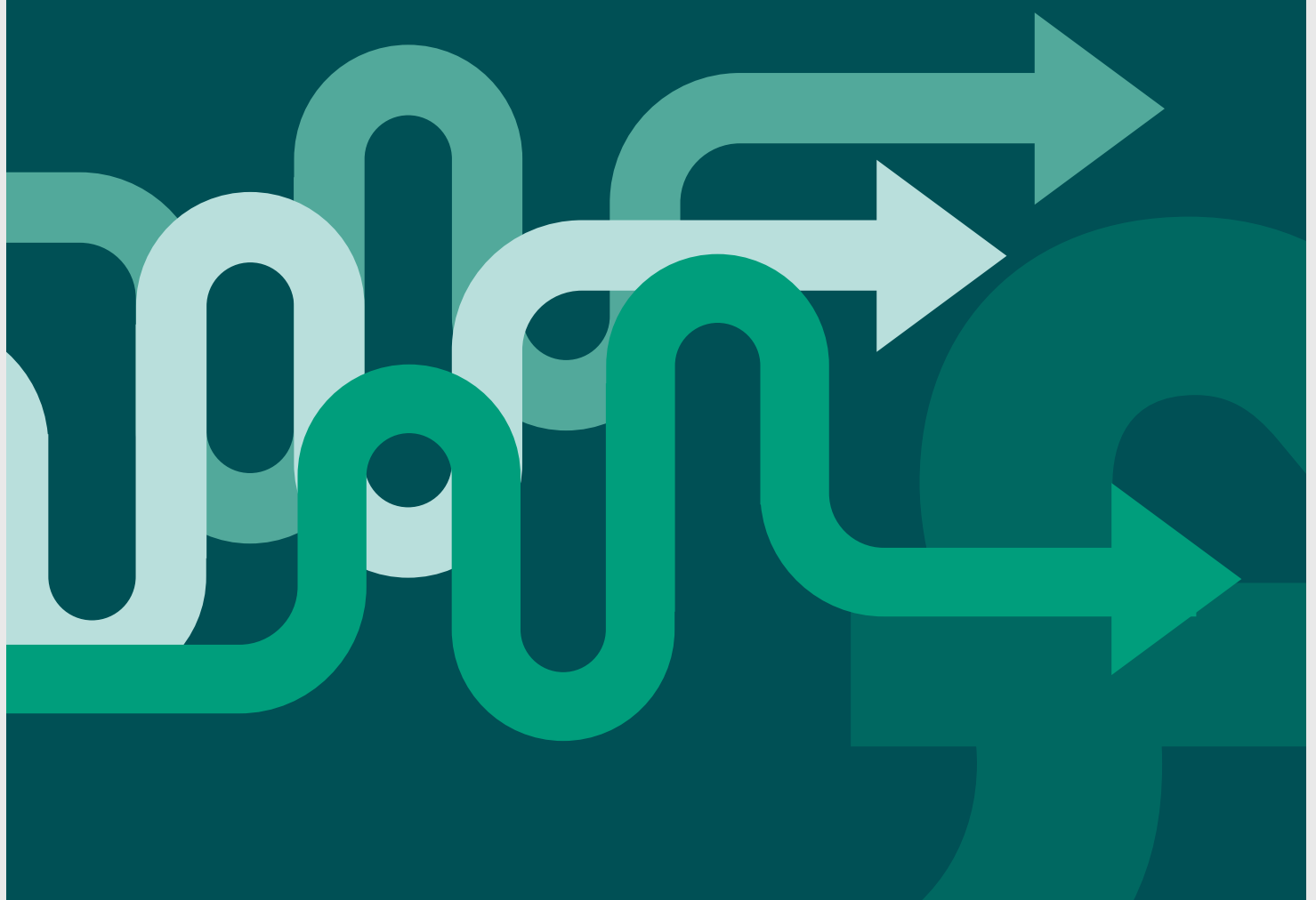


Police Service of Northern Ireland

Financial Strategy



**we care
we listen
we act**



Keeping People Safe

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Chief Constable's Introduction



As Chief Constable and Accounting Officer for the Police Service of Northern Ireland, I am pleased to introduce our Financial Strategy.

The Police Service of Northern Ireland has a track record of sound financial management and accountability and I want to build on these foundations and create a Service which is increasingly visible, accessible, responsive and community focussed.

To deliver these ambitions, the Police Service of Northern Ireland must adopt a financial strategy to maximise the impact of available resources and demonstrate clearly to the public that resources are being optimised.

As a Service, we have plans to secure significant investment to increase police officer numbers and invest in much needed infrastructure.

These plans for modernisation will influence how resources are prioritised in future years.

A handwritten signature in white ink that reads 'Simon Byrne'.

Simon Byrne
Chief Constable
Police Service of Northern Ireland

Purpose

The strategy attempts to pull together in one place all known factors affecting the financial position and sustainability of the Service over the medium term and provides a basis for decision making when balancing the financial implications of priority against constraints in resources.

The purpose of this document is to set out an overarching financial strategy to:

Guide how Police Service of Northern Ireland will direct resources in support of the Policing Plan

Help ensure sound financial management and good stewardship of public money

Set out the principles for financial planning, balancing affordability and capacity

Drive the modernisation of the Service

Our Story

Police Service of Northern Ireland's vision is to be visible, accessible, responsive and community focussed.

We will demonstrate in our behaviours and interactions that we care, listen and act about what matters to the public, our partners and our staff.



Our purpose

Keeping People Safe

What we do

We care : We listen : We act

How we do it

**By delivering visible,
accessible, responsive,
community-focused policing**

Our Principles

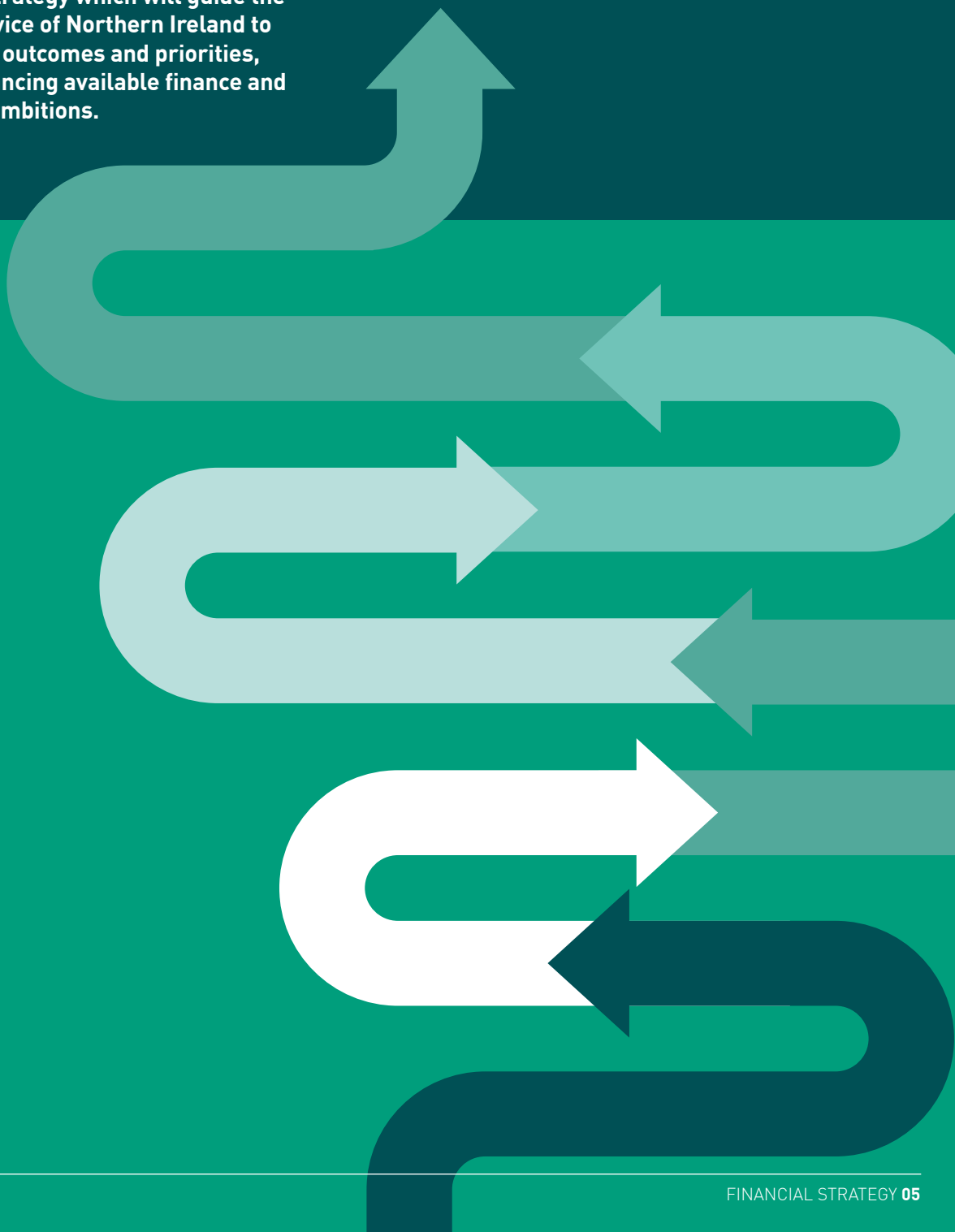
Our financial strategy is guided by our core principles:



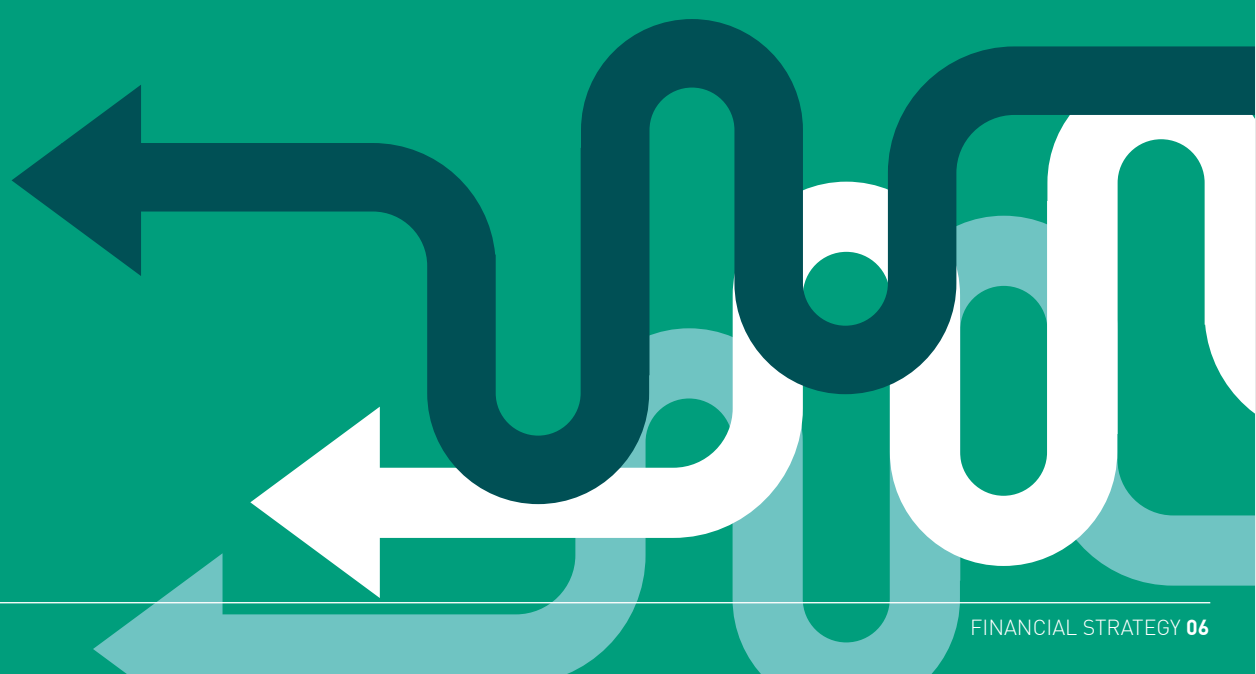
These principles support the Accounting Officers Standards as outlined in Annex C to ensure governance, decision making and financial management operate effectively and to a high standard of probity within the Police Service of Northern Ireland, and provide clear direction for the finance strategy to support communities.

Financial Strategy

The following section sets the financial strategy which will guide the Police Service of Northern Ireland to achieve its outcomes and priorities, whilst balancing available finance and spending ambitions.



Financial Strategy Outcomes



Financial Strategy Vision



To achieve the outcomes and the vision of the financial strategy, we will aim to:

- Make best use of limited resources, continually striving to improve resource allocation, usage and management, to deliver efficiencies and therefore maximise investment in priority areas
- Prioritise funding towards the three strategic areas for investment:
 - Accelerate digitalisation across the organisation for frontline officers and police staff
 - Renew, replace and invest in the aging police estate
 - Increasing police officer numbers to 7,500
- Deliver stability in budgets by ensuring that changes from year to year in resources available and the financing implications of these changes are, as far as possible, predicted and managed
- Use benchmarking and other tools to challenge and demonstrate the achievement of value of money – challenging spending pressures and the spending norms
- Effectively account for and report on the use of resources
- Provide appropriate and adequate information and advice to facilitate decision making, including costing data
- Have in place sound financial processes to control, monitor and account for expenditure
- Hold budget holders accountable for financial performance
- Promote effective internal audit of financial management and control arrangements
- Integrate financial management into our PULSE Performance Framework
- Ensure whole life costing of investment options is undertaken to improve decision making
- Complete and embed the learning from post project evaluations
- Maximise income generation wherever possible
- Lobby for additional funding for specific issues including legacy, EU Exit, Security, Holiday Pay, Legal Compensation and Covid-19
- Seek a change to the current funding model to streamline sources of funding and offer greater flexibility
- Maximise collaboration and partnership working where it improves service effectiveness, reduces costs and improves efficiency without introducing undue risk to service delivery
- Reduce back/middle office costs
- Reduce bureaucracy and increase office staff productivity

Delivering the Strategy

The following outlines how the strategy will be delivered:

- Spending Review submissions based on realistic assessment of pay and price increases, efficiency savings, transformational change requirements and savings
- A Resource Plan that supports the allocation of resources, agreed by Service Investment Board and the Northern Ireland Policing Board
- Capital Plan produced in accordance with a published capital strategy
- Business Cases approved if value for money demonstrated and in accordance with delegated authority limits and highlighted to Service Investment Board for endorsement if required
- Budgets will be continually monitored to ensure all expenditure is in line with the Police Service of Northern Ireland's vision and strategic objectives. Budget holders will be required to justify all easements and pressures on their budgets
- Finance reports will be produced regularly to the Chief Constable, NIPB and DoJ
- Annual Financial Statements will be produced, approved and published by the Chief Constable in accordance with statutory timescales



National Financial Context

Nationally, policing faces a number of challenges, which HMICFRS highlighted in the 'State of Policing' 2019 report. Some examples are:

- Considerable pressures on police
- Vulnerable and mentally ill people present major demands
- Serious and organised crime and terrorism are major threats
- Police funding arrangements carry limitations
- Policing and other public services need greater integration
- Evidence based, sustainable approaches are needed to solve policing problems
- Levels of service don't always meet public expectations

These challenges equally apply to Northern Ireland.

Looking forward to the period of the strategy, a number of emerging trends need to be considered which will impact policing in the future. Many of these focus in the Digital space where:

- Expanding and unregulated information online can be manipulated
- Emerging technologies are evolving rapidly with connectivity and growing volumes of real-time data
- Use of artificial intelligence and automation of processes are changing the skills required by the workforce

In addition to balancing the demands placed on police, considering the emerging trends and the limited resources available, several specific issues with material financial consequences will be realised in the next few years. The three most significant which apply to Northern Ireland are:

McCloud Pension Costs

In 2018 the Court of Appeal ruled in McCloud/Sargeant case that the transitional arrangements introduced as part of the 2015 reforms to the Firefighters' and Judges' pension scheme were discriminatory and, therefore, unlawful. The Government is currently working on removing this discrimination to all affected scheme members including for the police pension scheme. This work is complex and will take time, at this stage there is still uncertainty around the final approach to removing this discrimination.

The impact of the McCloud case on the valuation and employer contributions are also unknown.

EU Exit

The UK left the EU on 31 January 2020 and the transitional period ended on 31 December 2020. Police Service of Northern Ireland received additional funding in 2019-20 of £20.2m to prepare for the exit from the EU.

This budget enabled 308 officers and staff to be funded from this allocation. The current budget allocation for 2020-21 includes £9.8m towards these costs. Although a trade deal with the EU was agreed, the impact of this remains uncertain and the Police Service of Northern Ireland will need to work with partners to understand the implications for policing post 31 December 2020 and secure sufficient budget to police the outcome.

Covid-19 Pandemic

The ongoing disruption caused by the coronavirus pandemic has created significant economic uncertainty, and this uncertainty is expected to continue throughout 2021 and possibly beyond. Police Service of Northern Ireland's policing strategy has been to continue our 'Policing with the Community' approach seeking to build support for our actions and only seeking to use enforcement as a last resort.

The risks and challenges posed by the Covid-19 crisis to date will reduce by some degree over time but that they will, nonetheless, remain with us for the foreseeable future.

Local Financial Context

We are treated as an Executive Non Departmental Public Body of the Department of Justice in Northern Ireland.

The budgeting framework for Northern Ireland is illustrated in Annex A.

The Management Statement and Financial Memorandum (MS/FM) is a tri-partite document setting out the broad framework including financial framework within which the NIPB, Police Service of Northern Ireland and DoJ operate in dealing with the governance of policing. The MS/FM covers:

- Responsibility and Accountability
- Planning, Budgeting and Control
- External Accountability
- Staff Management
- Income and Expenditure including expenditure on staff
- Economic appraisal and procurement
- Budgeting procedures
- Delegated limits

The delegated limits which require DoJ approval are attached at Annex B for information.

The Chief Constable is designated as Accounting Officer and 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 Police Service. In addition they 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, which is attached at Annex C for reference.

We have key financial challenges in relation to Legacy matters and Holiday Pay which are particular to policing in Northern Ireland.

New Decade New Approach

In January 2020 the political parties in Northern Ireland agreed a way forward for a restored Executive which is outlined in the 'New Decade, New Approach' paper. The priorities of the restored Executive include:

- The Executive will increase police numbers to 7,500
- The Executive will deliver committal reform to help speed up the criminal justice system

- The Executive will address:
 - The finding in recently published reports from Criminal Justice Inspection Northern Ireland, and
 - The report of Sir John Gillen on the handling of serious sexual offences cases, and will deliver the necessary changes in case conduct and management.

The parties also reaffirmed their commitment to tackling paramilitarism.

Holiday Pay

A number of cases have been lodged against us in respect of contractual overtime forming part of the calculation for holiday pay under article 7 of the Working Time Directive. This follows the decision in the case of Bear Scotland Limited and Others. A judgement was provided by the Employment Tribunal on this matter in November 2018 that officers and staff were entitled to an element of overtime to be included in their holiday pay where this was part of their 'normal pay'. We have been given leave to appeal the case to the Supreme Court. As a consequence, there are still a number of areas that are required to be clarified to set out the level and series of any payments that officers and staff may be owed.

Legacy and Legacy Litigation

Legacy related matters continue to cause significant challenge for the Police Service of Northern Ireland from a financial perspective. It is our position that the Historical Investigations Unit (HIU), as proposed

in the Stormont House Agreement, should take responsibility for conducting investigations into the past. In the absence of the HIU, we continue to operate a Legacy Investigation Branch and have external independent investigations teams to investigate a number of matters.

We are named as defendant in almost 1,000 litigation claims relating to legacy incidents. In this context legacy incidents are defined as those associated with sectarian conflict in Northern Ireland occurring between 1969 until approximately 2010. Several legacy cases are at a sufficiently advanced stage where negotiations for early settlement have commenced, or where a reasonable estimate of liability can be made based on previous settlements. However, for the vast majority of cases litigation is still at a very early stage and no reliable estimate of liability or value can be made.

We continue to seek separate and additional funding to deal with Legacy related matters.

Funding Arrangements

The financial arrangements for us currently prevent borrowing or re-investment of underspends to build up strategic reserves. This is very different from police forces in England and Wales. In recent years single year budgets have been allocated by the Northern Ireland Executive which constrains our ability to plan for large infrastructure projects in particular. We will continue to lobby for a more agile funding arrangement and access to funding to invest and transform our infrastructure.

Funding

The majority of our budget is from the NI Consolidated Fund, through the Department of Justice with the exception of the HMT element of Additional Security Funding. While the funding comes from the same source, some of it is allocated for particular purposes. The table below outlines the sources of funding in 2020-21.

Funding Purpose	Resource DEL	Capital DEL	Annually Managed Expenditure	Total
	(£m)	(£m)	(£m)	(£m)
Main Grant	739.4	47.0	342.3	1,128.7
Additional Security Funding - HMT	30.7	0.9	-	31.6
Additional Security Funding - NIE	25.1	5.7	-	30.8
EU Exit	14.3	1.1	-	15.4
Fresh Start	5.6	-	-	5.6
Covid-19	9.9	0.3	-	10.2
Total	825.0	55.0	342.3	1,222.3

Influences on Strategy

The following factors will be considered and reflected in the medium term financial forecasts. These factors are kept under review and amended as required.

- Policing Plan and outcomes for policing
- Horizon 2025 Service Modernisation Plan
- Impact of the Public Sector Pension Valuation on the future employee contributions to the unfunded police officer pension scheme
- Northern Ireland Related Terrorism
- UK, NI and global economy
- Potential impact of the Barnett formula
- Impact of EU Exit on policing
- Impact of Covid-19 on policing
- Funding for Legacy related matters
- Outcome of Holiday Pay case



Reviewing the Strategy

While the strategy initially covers a five year period, it will be reviewed every year to ensure it remains relevant and captures all the known factors affecting the financial position of the Service.



ANNEX A

Budgeting Framework

As a devolved administration, Northern Ireland has a separate Consolidated Fund which is funded by the Block Grant voted by Westminster. The budget requirements of Northern Ireland Departments, as approved by the NI Assembly are met from the NI Consolidated Fund.

The majority of our budget, with the exception of the HMT Element of Additional Security Funding is from the NI Consolidated Fund, through the Department of Justice.

Our budget is split between a departmental expenditure limit (DEL) and annually managed expenditure (AME). These are subsequently split between resource and capital totals.

- Resource DEL covers the main operating costs of the service including pay, infrastructure and other running costs.
- Capital DEL covers expenditure that enhances or adds to the life or value of assets.
- Resource AME covers police pensions and provisions.



Northern Ireland Public and Business

NI Public and Businesses pay taxes to UK government (eg. income tax, VAT, corporation tax, duties on tobacco and fuel etc)



UK Government

UK Government allocates budget to NI Executive



NI Executive

NI Executive distributes budget to Departments

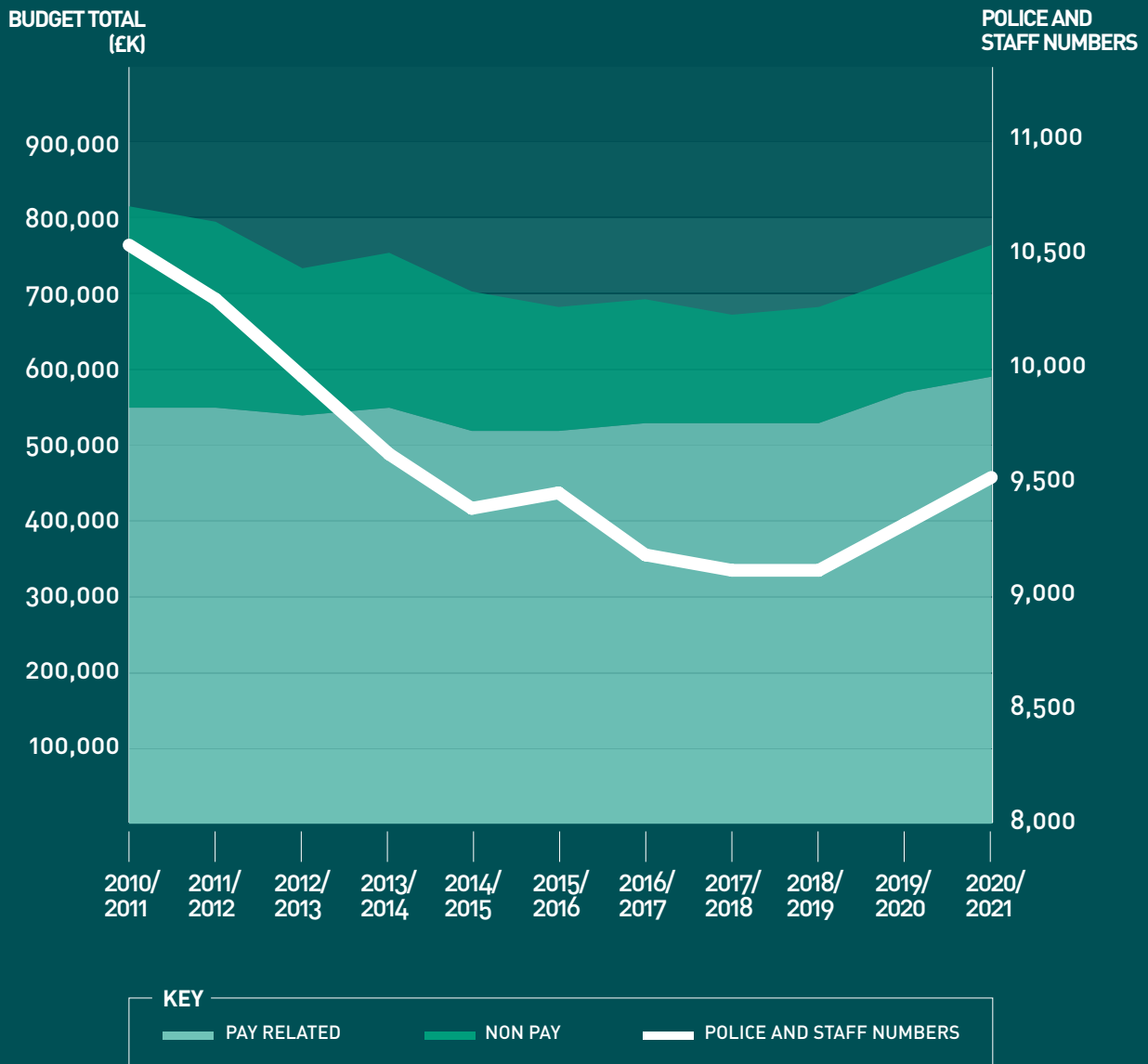


Departments

Budget Allocations

The graph below illustrates the 2020-21 budget allocations for Resource and Capital. As outlined in the national and local financial context, policing faces significant challenges in the short to medium term alongside uncertainty on public sector financing.

The vision and aims of this strategy will assist us to focus on making best use of limited resources, while continuing to lobby for additional funding to remain financially sustainable in the long term.



Budget Cycle

A typical budget cycle is illustrated below.



Further detail regarding the budget process is outlined below. However, at each stage key decisions and assumptions are agreed through governance committees to ensure the process is meeting strategic objectives.

At any given time we are committed to rolling medium term revenue and capital plans which usually extend for 3 years for revenue and 10 years for capital which set out the required level of expenditure. The plans are drawn up, reassessed and extended annually and, if required, re-prioritised to enable the Service to achieve the outcomes in the Policing Plan, Financial Strategy and Capital Strategy.

Budget Setting Process

For any particular budget setting year, the planning process starts during the summer of the preceding year with the agreement of the Budget Planning Assumptions by Service Investment Board and other key stakeholder groups. The budget planning assumptions will include what is in scope, pay inflation rates, and treatment of particular budgets like EU Exit, Legacy etc.

Following agreement of the assumptions and priorities, budget holders are invited to review their resource requirements for the next 3 years.

Once all budget holders have submitted their plans the Finance Delivery Group consider the resource requirements and consider against the available funding or scenarios and agree proposals for achieving a balanced budget.

Finance Delivery Group submit proposals to Service Investment Board for approval which then forms part of the Resource Plan.

ANNEX B

Financial Delegated Limits

Ref	Description of Delegation	£
1	Public statements which might imply a willingness on the part of the Executive to commit resources or incur expenditure beyond agreed levels	DoJ and DoF approval required
2	Guarantees, indemnities or general statements / letters of comfort which could create a contingent liability	DoJ and DoF approval required
3	All expenditure which is novel, contentious, repercussive or which could set a potentially expensive precedent, irrespective of size, even if it appears to offer value for money taken in isolation	DoJ and DoF approval required
4	Expenditure that could create pressures which could lead to a breach of: 1. Departmental Expenditure Limits (DELs); 2. resource limits or capital limits; or 3. Estimates provision	DoJ and DoF approval required
5	Expenditure that would entail contractual commitments to significant levels of spending in future years for which plans have not been set	DoJ and DoF approval required
6	Legislation with financial implications as per guidance in MPMNI	DoJ and DoF approval required
7	New services under the sole authority of the Budget Act	DoJ and DoF approval required
8	Loans - on borrowing from the Northern Ireland Consolidated Fund for Contingencies	DoJ and DoF approval required
9	Appointment of the permanent head of each central government department to be its Accounting Officer	DoJ and DoF approval required

Ref	Description of Delegation	£
10	Appointment of an Accounting Officer for a Trading Fund (TF)	DoJ and DoF approval required
11	Gifts - giving any individual gift in excess of £250	250
12	Insurance - decision to purchase commercial insurance	DoJ and DoF approval required
13	Losses - the write off of losses relating to pay, allowances, superannuation benefits, social security benefits, grants, subsidies and the failure to make adequate charges for use of public property or services and loans as per guidance in MPMNI	DoJ and DoF approval required
14a	Losses - waived or abandoned claims and special payments e.g. ex gratia	50,000
14b	Losses - foregoing the recoupment of overpayments of pay, pensions and allowance	20,000
14c	Losses - foregoing the recoupment of overpayment of grants	DoJ and DoF approval required
15	Payments - advance payments excluding those allowed under the guidance in MPMNI	DoJ and DoF approval required
16	Payments - deferred payments excluding those allowed under the guidance in MPMNI	DoJ and DoF approval required
17	Payments - special severance payments	DoJ and DoF approval required
18a	Payments - financial remedy payments over £500 (i.e. payments made to complainants through an organisation's internal complaints procedures / processes) and consolatory payments over £500	500

Ref	Description of Delegation	£
18b	Payments over £50,000 to be made as a result of a recommendation from the Northern Ireland Public Services Ombudsman	50,000
19	Banking - proposals to open an account outside the pool or any proposed changes to Banking Pool arrangements	DoJ and DoF approval required
20	Banking - requests for indemnities that commercial banks may seek to replace their normal arrangements	DoJ and DoF approval required
21	Borrowing from the Private Sector for all Arm's Length Bodies (ALBs)	DoJ and DoF approval required
22	Borrowing on terms more costly than those usually available to government	DoJ and DoF approval required
23	Borrowing - foreign borrowing	DoJ and DoF approval required
24	Foreign Currency - any proposals to negotiate contracts in foreign currencies other than the euro, yen or US dollar	DoJ and DoF approval required
25	Income - use of income and cash by departments to meet expenditure needs if there is no specific legislation	DoJ and DoF approval required
26	Income and Receipts - increases to the amount that can be treated as an accruing resource during a financial year in order to finance a comparable increase in expenditure as per in-year monitoring / budgeting guidance	DoJ and DoF approval required
27	Liabilities - departments seeking statutory authority to accept liabilities	DoJ and DoF approval required
28	Liabilities - assuming statutory liabilities including the liabilities of any sponsored bodies for any single transaction	DoJ and DoF approval required

Ref	Description of Delegation	£
29	Liabilities - reporting non-statutory, where required, to the Assembly	DoJ and DoF approval required
30	Liabilities - reporting a contingent liability in confidence by writing to the Chair of the PAC	DoJ and DoF approval required
31	Liabilities - departments should consult DoF about reporting a liability during recess and outside Assembly sessions during a dissolution	DoJ and DoF approval required
DoJ 1	Liabilities - extra-contractual and ex-gratia payments to individuals	10,000
32	Loans - proposals to make voted loans and premature repayment	DoJ and DoF approval required
33	Charges - primary legislation to empower charging	DoJ and DoF approval required
34	Charges - restructuring charges using the Fees and Charges (NI) Order 1988 No. 929 (N.I.8) in line with guidance in MPMNI	DoJ and DoF approval required
35	Charges - public sector supplier moving away from full cost charging	DoJ and DoF approval required
36	Interdepartmental Transactions - where the transaction may require legislative procedures or where DoF agreement is required under statute	DoJ and DoF approval required
37	Agency framework documents and the methods of financing an agency	DoJ and DoF approval required
38	All Management Statements and Financial Memorandums (MSFM) or other relationship documents	DoJ and DoF approval required

Ref	Description of Delegation	£
39	The establishment or termination of an NDPB	DoJ and DoF approval required
40	The establishment and operation of a Trading Fund including sources of capital	DoJ and DoF approval required
41	Provision of funding by way of an Endowment Fund	DoJ and DoF approval required
42	Grants to Councils under the Local Government (Finance) Act (NI) 2011	DoJ and DoF approval required
DoJ 10	Grants - payments of grants to the Voluntary and Community Sector only	300,000
43	Wider market projects where the full annual cost or aggregated annual income from such services exceeds, or is expected to exceed thresholds agreed by DoF	DoJ and DoF approval required
44	Assets - transfer or disposal of assets at less than market value	DoJ and DoF approval required
45	Assets - to appropriate any sums realised as a result of selling an asset above the deminimis level in the DoF Budget / In-year Monitoring Guidance	DoJ and DoF approval required
46	Assets - to allow an organisation to retain receipts arising from the sale of assets funded by grant or grant-in-aid above the deminimis level in the DoF Budget / In-year Monitoring Guidance	DoJ and DoF approval required
47	Compensation payments without legal advice - individual compensation claims settled out of court	10,000

Ref	Description of Delegation	£
48	Compensation payments following legal advice - individual compensation claims settled out of court where legal advice is that the department will not win the case if contested in court	100,000
DoJ 2	Compensation - individual compensation payments made as a result of court decision (excluding claims paid as part of Compensation Services' normal business)	100,000
DoJ12b	Compensation Agency tariffs for compensation claims - delegation relates to Compensation Services only	DoJ and DoF approval required
49a	Consultants - expenditure on external consultancy projects over £75,000	10,000
49b	Consultants - expenditure on external consultancy assignments co-funded by the Strategic Investment Board	10,000
50	Estimates - form and content of Main and Supplementary Estimates	DoJ and DoF approval required
51	Virement	DoJ and DoF approval required
52	Fraud - any departure from immediate reporting, not including National Fraud Initiative (NFI) for which separate arrangements have been agreed	DoJ and DoF approval required
53	IT projects	5,000,000
54	Capital Projects - all other expenditure on Capital Projects involving Central Government expenditure unless other delegations specifically allow	5,000,000
55	Projects - all PFI + 3PD projects at key stages as stipulated in NIGEAE	DoJ and DoF approval required

Ref	Description of Delegation	£
56	Receipts - repayment of CFERs from the Northern Ireland Consolidated Fund	DoJ and DoF approval required
57	Redundancy - all staff redundancy schemes not covered by existing regulations or which are more generous than existing NICS scheme	DoJ and DoF approval required
58	EU - all expenditure under the EU Programmes for which the Special EU Programmes Body is responsible	0
59	Pay remits	DoJ and DoF approval required
60	All leases for Office Accommodation (including supporting storage or warehousing) - both new and existing extension or renewal beyond break points, excluding offices outside Northern Ireland	DoJ and DoF approval required
FSD 2	Resource projects greater than £20 million or more over the project's life	DoJ and DoF approval required
FSD 3	Resource expenditure on new policies, programme or projects if delegations 3, 4 or 5 apply	DoJ and DoF approval required
FSD 4	Contract variations not agreed by CPD	DoJ Director (Grade 3) approval in writing required
FSD 5	Legal fees not via DSO / CSO (if via DSO / CSO, can be approved within spending area)	10,000
FSD 6	Establishing a confidentiality agreement	<ol style="list-style-type: none"> 1. Organisation's Accounting Officer approval required 2. DoJ Accounting Officer approval required. 3. DoF approval required.

ANNEX C

Accounting Officer Standards

Box 3.1: Standards expected of the Accounting Officer's organisation.

Acting within the authority of the Minister(s) to whom he or she is responsible, the Accounting Officer should ensure that the organisation, and any subsidiary to it or organisation sponsored by it, operates effectively and to a high standard of probity. The organisation should:

- Make all its decisions in line with the strategy, aims and objectives of the organisation set by ministers and/or in legislation
- Meet DoF's requirements about limits on use of public resources
- Manage its staff fairly, with inclusive policies designed to promote and integrate diversity having regard to Section 75 of the Northern Ireland Act
- Communicate its decisions openly and transparently

Governance

- Have a governance structure which transmits, delegates, implements and enforces decisions
- Have a trustworthy internal controls to safeguard, channel and record resources as intended
- Operate with propriety and regularity in all its transactions
- Treat its customers and business counterparts fairly and honestly
- Offer redress for failure to meet agreed customer standards where appropriate
- Give timely, transparent and realistic accounts of its business, underpinning public confidence

Decision-making

- Support its Ministers with clear, well reasoned, timely and impartial advice

Financial Management

- Use its resources efficiently, economically and effectively, avoiding waste and extravagance
- Carry out procurement and project appraisal objectively and fairly, seeking good value for the public sector as a whole
- Use management information systems to secure assurance about value for money and the quality of delivery and so make timely adjustments
- Avoid overdefining detail and imposing undue compliance costs, either on its own staff or on its customers and stakeholders
- Have practical documented arrangements for working in partnership with other organisations
- Use internal and external audit to improve its internal controls and performance



For further information visit:
psni.police.uk

