

Annual

Governance

Report –

Use of Resources

Supplement

Cheshire Police Authority

Audit 2008/09

September 2009

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Use of resources

I am required to consider how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement.

I am also required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 1 In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 2 I also take into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 3 The Authority has been assessed as performing adequately for all three themes. The scores are set out below.

Table 1 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	2
Governing the business	2
Managing resources	2

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- 4 The Authority disagrees with this assessment and has applied for a formal review of the scores under the Audit Commission's review procedures. If the request for a review is accepted the Audit Commission's review panel will tell you the outcome by 21 October 2009.
 - 5 A summary of my key findings, conclusions and recommendations for each of the three themes is set out below.

Managing finances

This theme assesses how effectively the Authority and Force manage their finances to deliver value for money

- 6 The Authority continues to improve its arrangements for managing its finances. The integration of its financial and corporate planning processes together with its overall arrangements for financial governance and leadership are improving. The Authority's budget setting process is robust and savings plans have been generally realistic and achieved. However the process for identifying efficiency savings through business planning processes needs further development.
- 7 The Treasurer recognises that more work is necessary to develop medium term financial planning processes. There is a need to set out clearly how priorities will be funded in the medium term and this needs to be robustly linked to other internal plans and strategies.
- 8 The Authority and Force engage effectively with stakeholders to help determine priorities and to inform how resources are allocated. But there is more work to do to develop a strong understanding of costs. Unit costs are not routinely calculated or used in the decision making process. Whole life costing is being considered but the approach is not yet well understood or applied consistently. Benchmarking is not used effectively to identify high spending, understand the reasons and contribute to the efficiency programme. Areas of relative high costs should be identified and targets to achieve comparable cost and performance levels set. We recognise the concerns about the validity of external benchmarking data. However, other forces use internal data to successfully identify and challenge areas of high cost.
- 9 The Authority has good arrangements in place to support its financial statements and summary information was prepared for the first time this year. Financial management and monitoring skills are variable and the Force recognises that further training is needed to improve ownership of and confidence in budgets. Budget monitoring arrangements are better but budget profiling is still at a basic level. Some senior officers have questioned the accuracy and relevance of budgets making it difficult to hold them to account for overspending. The Force recognises the need to improve budget monitoring and has assigned an assistant chief officer to lead a review.

Use of resources

Recommendation

Further work is needed to ensure that:

- R1** the financial and corporate planning processes continue to develop and provide a clear focus on how priorities and targets for efficiency savings will be achieved;
- R2** the medium term financial plan is strengthened and integrated with other plans and strategies. For example, the people strategy, the asset management and operational business plans;
- R3** the Authority and Force develop a more robust understanding of their costs and then link this with performance information. This is necessary to ensure costs are fully understood and targets are set to achieve cost savings and improve performance where appropriate; and
- R4** the already robust challenge by members, in relation to performance and finance, clearly and systematically considers whether the Force is achieving value for money (vfm).

Governing the business

This theme assesses how well the Authority and force govern themselves and how they commission services that provide value for money and deliver better outcomes for local people.

- 10** The Authority and Force have been proactive over the last year in reviewing and setting their vision and priorities. The Authority demonstrates a good level of engagement - and good understanding of its diverse communities – that enable it to identify priorities and to provide services that meet the needs of the general community and disadvantaged groups. During 2008/09 additional funding in some priority areas resulted in improved performance. The Authority and Force have identified partnership governance as one of the risks relating to achieving its priority of higher profile and more effective community involvement and leadership. Since April 2009, the Authority and Force have actively engaged in identifying improvements.
- 11** The Force is a driving force in developing the national ACPO procurement strategy. It actively manages its suppliers and the supply market and regularly surveys customers on procurement performance. But arrangements for assessing the effectiveness of procurement processes in terms of delivering better outcomes need to be better. For example, the Force does not make use of benchmarking data to compare costs and to assess value for money issues. A study of the Force's supplier database shows that larger areas of spending were covered by contracts, but that there is potential to gain further savings, particularly at regional level. The Force is continuing to improve inter-departmental working, reduce the number of external contractors, improve its website and develop markets. The Force is also considering benchmarking issues in relation to procurement but this is at an early stage of development and subject to regional agreement.

- 12** The quality of the Authority and Force data is improving but the 'right first time' principle is not fully embedded. Progress in supporting the Police National Database is good and some departments are able to identify service shortfalls and take appropriate action. Whilst member challenge in relation to performance is robust the Performance Panel has not, until recently, monitored progress against key measures and targets set out in the Policing Plan – other than at the year end. (The first quarterly monitoring report was considered by the Performance Panel in April 2009).
- 13** Arrangements for promoting good governance, including risk management and counter fraud and corruption processes, are adequate and improving. But the use of risk registers remains inconsistent and there was no formal anti fraud and corruption strategy in place in 2008/09. Systems of internal control - including the role of the Audit Committee are good.

Recommendation

Further work is needed to ensure that:

- R5** the arrangements for assessing the effectiveness of procurement processes in securing improved outcomes are strengthened;
- R6** actions highlighted by the data quality audits are effectively monitored and implemented; and
- R7** the improved risk management and counter fraud and corruption processes are embedded and the benefits realised.

Managing resources

This year, this theme assesses how well the Authority and Force plan, organise and develop the workforce effectively to support the achievement of its strategic priorities. In future years it will also assess use of natural resources and strategic asset management.

- 14** The Authority and Force have a wide range of processes in place to manage their workforce. The Leadership strategy (July 2008) has been developed following extensive consultation across the Force and there is a wide range of up-to-date human resource policies. The Force is on track to meet its diversity targets and has been named as the public sector organisation which has demonstrated the most commitment to the recruitment, employment, retention and provision of services for disabled people in Cheshire. However, the diversity target in respect of BME recruits was not met. The Force regularly produces staffing statistics, including vacancy levels, secondment placements and recruitment levels. These are reported to the Police Authority on a quarterly basis.
- 15** During 2008/09 Force plans for workforce modernisation and civilianisation, were suspended due to budget constraints - linked to the Authority's commitment not to reduce police officer numbers. There is likely to be considerable financial pressure in the next few years and there needs to be a clear strategy for how the Force and Authority manage their finances and meet their commitment no to reduce officer numbers. I recognise that the Authority and Force are working towards improving the links between the workforce and medium term financial plans.

Use of resources

- 16** The Force has improved training and development courses for all ranks and grades. Courses are evaluated using feedback and external assessment to ensure they are effective and achieve positive outcomes. Whilst the training available, together with evaluation processes demonstrates that the Force has a skilled workforce, there is limited comparative benchmarking data to assess relative staff productivity. Differences in the 'descriptors' for the role of 'detective' have made it difficult for the Force to determine whether there is a skill shortage in this area. In addition, it is clear that the number of detectives needed across the organisation has not been established. (We acknowledge the progress made within the Force Operations Department.)

Recommendation

Further work is needed to ensure that:

- R8** the people strategy is fully integrated with the medium term financial plan; and
R9 the Force can determine whether or not it has appropriate numbers of detectives.

Value for money conclusion

- 17** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOEs are the relevant criteria for the VFM conclusion at each type of audited body. The alignment of the KLOE scoring and VFM criteria enables an unqualified conclusion to be given where a score of at least level 2 has been achieved across the three Use of Resources themes. My assessment against each KLOE is attached, Appendix 1.
- 18** I intend to issue an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

Appendix 1 – Value for money conclusion

- 1 The following tables set out my assessment of each of the KLOE to inform my vfm conclusion.

Managing finances

KLOE 1.1 (financial planning) VFM criterion met	Yes
KLOE 1.2 (understanding costs/achieving efficiencies) VFM criterion met	Yes
KLOE 1.3 (financial reporting) VFM criterion met	Yes

Governing the business

KLOE 2.1 (commissioning and procurement) VFM criterion met	Yes
KLOE 2.2 (data quality and use of information) VFM criterion met	Yes
KLOE 2.3 (good governance) VFM criterion met	Yes
KLOE 2.4 (risk management and internal control) VFM criterion met	Yes

Managing resources

KLOE 3.1 (use of natural resources)	not assessed this year
KLOE 3.2 (strategic asset management) VFM criterion met	not assessed this year
KLOE 3.3 (workforce planning) VFM criterion met	Yes

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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