

**Report of the Treasurer to the Chair and Members
of the Policy & Resources Panel
15th December 2011**

Executive and Presenting Officer: Michael Porter, Treasurer

Status: For Approval

Investigation – Financial Update

1 Purpose

- 1.1 This report is to provide Members with an opportunity to review and scrutinise the expenditure being incurred in relation to the on going criminal investigation that is currently being undertaken by Warwickshire Police *'into a number of people with current or past associations with Cleveland Police Authority and the manner in which the Authority may have conducted some of its business'*
- 1.2 The report also looks at the best way to ensure that the financial costs of the investigation are not being paid for by reducing the funding delegated by the Authority, to the Chief Constable, for Operational Policing during the current year.

2 Recommendations

Members are asked to:

- 2.1 Note that the direct costs of the investigation to the end of October 2011 totals £754k, Appendix A refers.
- 2.2 Note that the additional costs resulting from the investigation totals £85k to the end of October 2011.

- 2.3 Approve, having taken into account the Authority's policy on Reserves as per Appendix C, that the direct costs of this investigation for 2011/12, forecast to be £1.44m, is met from the Authority's General Reserves.

3 Reasons

- 3.1. Members are aware of the on-going criminal investigation that is currently being undertaken by Warwickshire Police *'into a number of people with current or past associations with Cleveland Police Authority and the manner in which the Authority may have conducted some of its business'*
- 3.2. The costs of this investigation will fall to Cleveland Police Authority to pay for, based on the actual costs incurred by Warwickshire Police, both in relation to the resources it has specifically allocated to this operation and also for the work that is being undertaken, on behalf of the Chief Constable of Warwickshire Police, by Police Officers from both North Yorkshire and West Yorkshire.
- 3.3. Further to this the Authority will also incur costs in relation to the professional advice and support it has requested from both Eversheds and North Yorkshire Police Authority to support and advise the Authority through these unique times and will also incur the additional costs of the appointment of a Temporary Chief Constable and the appointment of a Temporary Assistant Chief Constable.
- 3.4. Alongside the current criminal investigation Members also made the decision to refer conduct matters relating to the Chief Constable and Deputy Chief Constable to the IPCC. Members have been briefed on the process **if** it is determined that there is a case to answer and also informed that the cost of any subsequent proceedings will fall on the Authority.
- 3.5. Expenditure to October 2011
As at the end of October 2011 the costs incurred by Warwickshire Police in undertaking this investigation totalled £754k, Appendix A refers.
- 3.6. In addition to this further costs of £85k have been incurred by the Authority primarily in relation to Legal Advice and Procedural Support and Advice in relation to the investigation. This is forecast to amount to around £200k by the end of the financial year at the costs of employing the Temporary Chief Constable will start to be incurred from November.
- 3.7. Updates on the costs incurred will be provided to Members of this panel throughout the investigation.

3.8. Application for a Special Grant

Members have been forwarded a copy of the letter that the Authority made to the Home Secretary in relation to a Special Grant to support the costs of the investigation.

3.9. An initial response was received from the Minister of State for Policing and Criminal Justice which included the following "I appreciate the pressure the investigation has placed on the Force and the potential implications should costs escalate following misconduct hearings. Unfortunately, I am unable to offer a guarantee at this stage that Special Grant funding will be available to support these additional costs. However, we would encourage you to submit an application once the costs are clearer, which we will properly assess in conjunction with HMIC in terms of the impact on the Authority's financial stability and your ability to maintain normal policing."

3.10. The documentation received from the Minister also confirms that the terms of the Special Grant required that the Police Authority would be expected to have made provision for a minimum of the initial 1% of additional expenditure. Which based on the 2011/12 budget is £1.3m to £1.4m.

3.11. Members will be provided with any further updates on how the application is proceeding, via this report, at future meetings of this panel. It is the intention to submit an application for the Special Grant during December.

3.12. Use of General Reserves

To ensure that the financial costs of the investigation are not being paid for by reducing the funding delegated by the Authority, to the Chief Constable for Operational Policing during the current year it is recommended that the Authority initially uses £1.44m from its' General Reserves to fund this investigation.

3.13. As per the Audited Statement of Accounts the Authority has £7.1m of General Reserves which is 5.5% of the current Net Budget Requirement. This will increase to £7.4m as a result of the agreed 2011/12 budget, or 5.7% of NBR.

3.14. The release of £1.44m from this reserve will move the balance on the General Fund to £5.4m by the end of March 2012 which would equate to 4.6% of NBR. This is within the limits of the Reserves Policy that the Authority has in place, Appendix C refers.

3.15. The future funding of this operation will be kept under review as the costs and timeframes for the Operation progresses and the results of the application for Special Grant becomes known. Decisions required

4. Implications

Sustainability

- 4.1 At this stage it is projected to fund the investigation from reserves however if the Authority was unsuccessful in its' application for a Special Grant and the costs go beyond those identified in this report it could become possible that the costs of this investigation could start to impact on the funding available to sustain front line services.

Financial Implications

- 4.2 The known financial implications for the current financial year are set out in the report however being able to forecast the exact financial impact of the investigation is not possible at this time given the lack of control the Authority has over the timeframes of the investigation and the resources being used.

Diversity and Equal Opportunities

- 4.3 There are no diversity and equal opportunity implications arising from this report.

Risk Management

- 4.4 The risks to the Authority are being monitored, via the Leadership Panel, through the Authority's Risk Register given the financial and reputational risks that could potentially result from the on-going investigation.

Human Rights

- 4.5 There are no human rights implications in this report.

5 Conclusions

- 5.1 The report provides Members with information on the costs of the investigation to enable the requisite scrutiny and oversight of the costs and sets out a way for the Authority to manage the costs from the investigation that does not impact on the funds that have been delegated to the Chief Constable to deliver Operational Policing during 2011/12.

Michael Porter
Treasurer