

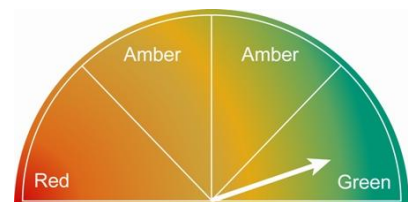
Cleveland Police Authority

Futures Working Team and Efficiency Savings

Internal Audit Report (02.2011/12)
November 2011

FINAL

Overall Opinion



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Debrief meeting	23 September 2011	Auditors	Ian Wallace, Director
Draft report issued	11 October 2011		Sue Turner, Senior Manager
Responses received	2 November 2011		Philip Church, Senior Auditor Leanne Brook, Auditor
Final report issued	7 November 2011	Client sponsor	Dave Pickard, Deputy Chief Constable T/Chief Superintendent Ian Richards, Head of the Futures Team
		Distribution	Kate Rowntree, Executive Staff Officer



This review has been performed using RSM Tenon's bespoke internal audit methodology, **i-RIS**.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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1 EXECUTIVE SUMMARY

1.1 INTRODUCTION

An audit of the Futures Working Team and Efficiency Savings was undertaken as part of the approved internal audit periodic plan for 2011/12.

As part of the effects to tackle national deficit, the Government announced significant spending cuts in October 2010 in its Comprehensive Spending Review (CSR); the detailed funding reductions were confirmed in the December police and local government funding settlement. As a result, government funding for the police service in Cleveland for 2011/12 has had a cash reduction of 5.1% in 2011/12 and 6.7% in 2012/13. This fits into a wider programme of planned reductions in government funding over the four year CSR period that will see a cumulative total reduction in national policing grant funding for the Force resulting in required savings of approximately £24m between 2011/12 and 2015/16.

The Government has placed emphasis on the need to maintain operational policing, to reduce "back office" functions wherever possible and to take every possible action to increase efficiency and productivity. The approach adopted by the Government is supported by publication from the NPIA and HMIC. The NPIA published a paper "Working for the Public Productivity Framework" (January 2010) which provided guidance on enhancing resources towards frontline staff. The Force is achieving this through Project I and Plan B with the civilianisation of roles and reducing the establishment from 1727 FTEs to 1500 FTEs with no expected reductions in service or frontline visibility.

In addition, HMIC continues to focus on value for money, and will focus on the best use of the police workforce and how authorities and forces are preparing to deliver savings. The approach adopted by HMIC is detailed in the joint report produced with the Audit Commission "Sustaining value for money in the Police service" (July 2010) which stressed that forces need to become more efficient in long term planning. The Force's Long Term Financial Plan (LTFP) is approved with the annual budget by the Authority. Due the flux in public finance the Authority are provided with an update on the assumptions made on a quarterly basis. The savings target and activities to bridge the funding gap reported to the Authority on 23rd June 2011 were as follows:

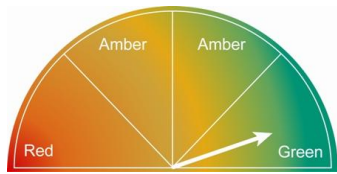
	2012/13 (£000s)	2013/14 (£000s)	2014/15 (£000s)	2015/16 (£000s)
Savings target after changes in assumptions	19,117	21,751	24,648	24,241

	2012/13 (£000s)	2013/14 (£000s)	2014/15 (£000s)	2015/16 (£000s)
Saving plans to be developed	0	1,666	1,497	0

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	The Force has a robust mechanism in place for the continuous identification and realisation of efficiency savings which contribute towards its long term financial stability and enables the Force to react to funding constraints imposed by Central Government.
Risk	Further and future budget cuts from Central Government. Ability to mitigate risk of Force staying within budget.

1.2 CONCLUSION



Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage the risks are suitably designed, consistently applied and effective.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Design of control framework

- On an annual basis the Force develops a Long Term Financial Plan (LTFP) which covers a further three year period and is the organisation's core financial planning document. This identifies how the Force will deliver its financial targets and provide sufficient funding to enable delivery of corporate objectives.

Incorporated within the LTFP are efficiency savings which meet the short falls in the position assumptions and general fund contributions detailed within the LTFP.

The LTFP was presented to and approved by the Authority on the 24th February 2011.

- The budget savings were agreed at an away day by the Executive on 31st August 2010. Subsequently the Futures Group was established to determine further budget savings necessary to meet the actions associated with the Long Term Financial Plan. The Group was chaired by the T/Chief Superintendent and attended by a cross-section of Force staff; the Group convened on a monthly basis to review and monitor progress towards the planned budget savings.

The identification and achievement of savings was the responsibility of the Futures Team, Special Posting Panel and the Strategic Financial Planning Group.

- Each work stream activity has an "activity definition report" which sets out the terms of reference of the activity including the scope of the review and submission deadlines to the T/Chief Superintendent for review.
- On a quarterly basis the Authority is provided with an update against the Long Terms Financial Plan (LTFP) taking into account changes in assumptions and the availability of more realistic information.

Application of and compliance with control framework

- The Budget for 2011/12 and the Long Term Financial Plan (LTFP) 2012/13-2015/16 was presented to the Authority by the Assistant Chief Officer-Finance and Commissioning on the 24th February 2011 for approval. The paper presented highlighted that the success of the Force is dependent on a stable financial position and is supported by assumptions made in the LTFP. The budget approved by the Authority is underpinned by the Authority's financial objectives of:
 - Maintain and enhance front line services.
 - Optimise financial & operational resilience.
 - Deliver LTFP savings targets.
 - Demonstrate robust corporate approach to VfM.
 - Have auditable outcomes.
- The Futures Working Group (FWG) was originally established in October 2010 by the Executive Team in response to the anticipated comprehensive spending review undertaken by the coalition Government. Initially the Force identified in year savings of £5.6 million which rose to £7 million following the comprehensive spending review. The total savings required by the Force over the next three years will be approximately £24m. The FWG was chaired by a T/ Chief Superintendent and the meetings were attended by a cross section of staff, including the DCC. The primary role of the FWG was:

- To determine options for further budget savings (non-staff) and the association actions/risks necessary to deliver the LTFFP.
- To review the estates requirements linked to the workforce plan.
- To explore the opportunities for further workforce modernisation.

The FWG no longer exists as a separate entity as individuals who were involved are also involved in Special Postings Panel and Strategic Financial Planning Group resulting in a duplication of work and inefficient use of time. The Strategic Financial Planning Group now provides support to the Executive on meeting the financial challenges of the comprehensive spending review. The Group is focused on the establishment of the Force and reducing the numbers in line with the predictions made in the Long Term Financial Plan.

The Special Postings Panel is responsible for the management of resources and the movement of staff within the Force on a permanent or temporary basis. All movements must be approved by the Panel and the Force Workforce Plan is controlled and managed by the Service Improvement Manager.

The Force has a number of activities in place including the work undertaken by the Futures Team, Plan B and the transition of Project I.

- We obtained and reviewed the work stream plan and selected a sample of ten projects to audit which represented 45% of the projects undertaken by the Force. In each case a Terms of Reference (ToR) was available for review which clearly defined areas for consideration as part of the efficiency review. In addition, the ToR includes milestones to be achieved, which includes progress reports and final reports to the T/Chief Superintendent.

Progress milestones are reported to the T/Chief Superintendent. This is generally achieved through one-to-one meetings between the T/Chief Superintendent and the responsible officer.

- The Authority approved the budget for 2011/12 and the Long Term Financial Plan for 2012-16 on the 24th February 2011. Due the uncertainty surrounding public finances, an update is provided to the Authority on a quarterly basis to provide a more realistic position on which to base decisions. The efficiency savings identified in the Long Term Financial Plan are graded as green, amber and red. The rating provided is determined by the how certain the Force is of achieving the saving and the degree of control the Force has over the achieving of the saving. For example, pension contribution saving has been classified as red due to the Force not being able to influence its outcome. After outsourcing, workforce and identified savings, the "savings graded red" in the plan is as follows:

- 2012/13: £6,690,000

- 2013/14: £7,250,000

- 2014/15: £10,311,000

- 2015/16: £10,234,000

1.3 SCOPE OF THE REVIEW

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. When planning the audit, the following limitations were agreed:

Limitations to the scope of the audit:

- This audit has included only those areas listed within the scope.
- As our testing has been completed on a sample basis we have not provided an opinion that all efficiency savings have been identified and incorporated into the Long Term Financial Plan 2011/12 to 2015/16.
- Our testing has focused on the eight areas of efficiency identified by the Futures Working Group but we have not verified the underlying assumptions or re-performed the calculations used to determine the savings identified.
- Our work does not provide any guarantee against material errors, loss or fraud, or provide an absolute assurance that material error; loss or fraud does not exist.

The approach taken for this audit was a Risk-Based Audit.

1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	0	0	0
Application of control framework	0	2	0
Total	0	2	0

The recommendations address the risks within the scope of the audit as set out below:

Risk	Priority		
	High	Medium	Low
Further and future budget cuts from Central Government.	0	2	0
Ability to mitigate risk of Force staying within budget.	0	0	0
Total	0	2	0

2 ACTION PLAN

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	
Suggestion	These are not formal recommendations that impact our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1	A work stream of activities should be developed to ensure on-going efficiency savings are identified and incorporated into the Force's Long Term Financial Plan. Particular focus should be directed to business process re-engineering or business process re-design activities which remain following Project I.	Medium		As well as workstreams which have been followed as part of Futures Team and reported to the Authority, Plan B has also reviewed all areas outside of Project I suitable for workforce modernisation. This has also been reported to the Authority.	Discharged	Head of Futures Team
2	The Executive should provide a clear strategy on collaboration arrangements going forward to identify services which can be shared with other Forces and reduce financial implications of operating the service by multiple agencies.	Medium	Y	This will be taken forward as part of both long term financial planning and transition to PCCs.	November 2012	Head of Corporate Governance

3 FINDINGS AND RECOMMENDATIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all audit testing undertaken.

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
Risk 1: Further and future budget cuts from Central Government.					
1	There is a work stream plan in place, which details the efficiency activities under review, these have been issued to the Executive for consideration. The plan details the activity owner, and the target date for submission to the Futures Team and progress on the activity. The work plan is an internal document used by the Futures Team to ensure the planned efficiency activities are delivered in a timely manner.	Yes	<p>The Futures Group identified a number of work stream where efficiency savings would be identified under the following headings:</p> <ul style="list-style-type: none"> • Structures. • Estates. • Fleet. • Workforce Modernisation. • Income Generation & Sponsorship. • Staff payments & allowances. • Value for Money. <p>A total of 22 projects have been approved or are under review by the Executive and incorporated into the Force's Long Term Financial Plan (LFTP). The management of the projects is administered by the Futures Team and the development of project plans is monitored by the T/Chief Superintendent and reported to the DCC on a weekly basis. For projects which have been agreed, a consolidated action plan is used by the Futures Team to monitor progress and report by exception to the Executive.</p>	A work stream of activities should be developed to ensure on-going efficiency savings are identified and incorporated into the Force's Long Term Financial Plan. Particular focus should be directed to business process re-engineering or business process re-design activities which remain following Project I.	Medium

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
			<p>We obtained and reviewed the initial 22 projects agreed by the Futures Group. The projects identify one off and recurrent efficiency savings which are incorporated into the Long Term Financial Plan (LTFP) by the Head of Finance. Discussion with staff confirmed that cashable efficiency savings have been identified and implemented, such as the review of the workforce and reducing staff numbers from Project I. However, no activity has been performed on business process re-engineering to identify changes in workflows which could generate efficiency savings while maintaining service delivery and customer satisfaction.</p> <p>There is a risk that if a forward plan of efficiency activities is not agreed the Force will not be able to respond to further funding cuts and deliver the policing priorities in the Police Plan.</p>		
2	The Authority has collaboration arrangement in place with other police forces to improve services and deliver efficiencies to ensure a balanced budget is achieved.	Yes	<p>The Authority works with a number of other Forces on collaboration arrangements to improve services or deliver efficiencies. The most notable arrangement is around firearms, road traffic policing and marine, which the Force works in conjunction with Northumbria Police Force and Durham Police Force. The Business Units generally organise such arrangements and there is a general register held in Governance and Planning on the collaboration arrangements in place.</p> <p>However there is no clear strategy for collaboration with other forces to improve services and deliver necessary efficiencies to ensure a balanced budget is maintained. There is a risk that opportunities will not be identified if a clear strategy is not in place.</p>	The Executive should provide a clear strategy on collaboration arrangements going forward to identify services which can be shared with other Forces and reduce financial implications of operating the service by multiple agencies.	Medium