

# Leicestershire Police Authority

## 2008/09 Comprehensive Area Assessment

### – Use of Resources

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## **Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies**

*In April 2008 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.*

# Executive summary

## The purpose of this report

The purpose of this report is to provide the results of our assessment of the use of resources under the Comprehensive Area Assessment (CAA) at Leicestershire Police Authority (the 'Authority'). Our assessment has been carried out in line with the audit plan that we presented to the Audit Committee on 13 November 2008. We completed the fieldwork in relation to the majority of the assessment in the spring of 2009, with the exception of Key Line of Enquiry (KLoE) 1.3, Financial Reporting, which was completed after our work on the final accounts in August 2009.

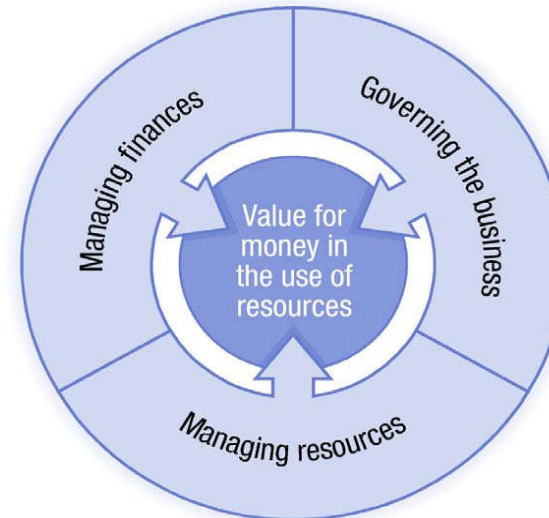
The scores in the report are those that we submitted to the Audit Commission on 14 August 2009 and communicated to the Authority in our Report to those charged with governance, our (ISA (UK & I) 260) report, which was presented to the September 2009 meeting of the Finance and General Purpose Committee. The Audit Commission's local and national quality assurance processes did not raise any issues in relation to our assessment of the Authority's use of resources.

## Background to the Comprehensive Area Assessment

From April 2009, the Audit Commission has been implementing comprehensive area assessment (CAA), jointly with the other public service inspectorates. The audit year 2008/09 is a year of transition to CAA. Our use of resources judgements in 2008/09 have therefore served two purposes; they have input into the first results of CAA, which the Audit Commission will report on, as well as acting as the basis for our use of resources conclusion. The Audit Commission issued new Key Lines of Enquiry (KLoEs) for auditors to assess local authorities' (including police authorities) arrangements against.

We assessed the Authority's arrangements against a series of Key Lines of Enquiry (KLoEs) grouped into three themes (see diagram below) which form the Use of Resources framework. The assessment has changed to focus on the Authority's achievements, outputs and outcomes rather than the Authority's processes. We therefore considered the outcome of the Authority's strategies rather than the detailed processes that the Authority has put in place.

CAA covers three areas or 'themes':



Under CAA there is an assessment for each body (the "organisational assessment") and an assessment for each area (the "area assessment").

The **area assessment** considers three key questions:

- How well do local priorities express community needs and aspirations?
- How well are the outcomes and improvements needed being delivered?
- What are the prospects for future improvement?

The area assessment focuses on the priority outcomes targeted within Local Area Agreements and Sustainable Community Strategies, and incorporates the results of organisational assessments across the public sector, including fire, police, prisons, probation, PCTs and councils. The assessments will be published by the Audit Commission in December 2009.

For the organisational assessment, as with the former Police Use of Resources (PURE) assessment, there are Key Lines of Enquiry (KLoEs) within each aspect of the assessment. We have provided a summary of the outcome of the assessment against the relevant KLoEs below.

The assessment under CAA is very different to that under PURE, with a focus on achievements, outputs and outcomes rather than processes and procedures.

#### [Link to the Use of Resources conclusion](#)

As in previous years, along with giving an opinion on the financial statements auditors were required to issue a conclusion on the arrangements for securing economy, efficiency and effectiveness in the use of resources. The Use of Resources conclusion and the link with the organisational assessment was reported in our Report to those charged with governance (ISA (UK & I) 260 Report) which was presented to the Authority's Finance and General Purpose Committee at its meeting on 8 September 2009.

## Conclusion

In the remainder of this report, we have set out a summary of our findings under each theme, together with opportunities for improvement and a more generic section on performance improvement.

We would like to thank the officers and staff of the Force and Authority for the co-operation and assistance we received during the course of our review.

# Summary of CAA Theme Scores

As CAA is a new assessment for 2008/09 we have not provided prior year comparative scores assessed under PURE. The levels that can be achieved under CAA are detailed below.

Level	
1	Failure to meet minimum requirements – inadequate performance.
2	Meets minimum requirements – performs adequately.
3	Exceeds minimum requirements – performs well.
4	Significantly exceeds minimum requirements - performs excellently.

Further information on the underlying principles supporting these levels of performance is detailed in Appendix 1.

Whilst the scoring system and descriptions are largely unchanged from the previous PURE regime, in practice the change of emphasis from systems and processes to real and measurable outcomes means that it is far more difficult for organisations to achieve the same overall score that they did in prior years under the previous PURE assessment.

The Authority achieved an overall CAA level 3 performance, which is supported by the following CAA theme scores:

Theme	Theme Score
Managing Finances	Level 3
Governing the Business	Level 3
Managing Resources	Level 2
<b>Overall CAA score</b>	<b>Level 3</b>

Individual KLoE scores which support these theme scores are detailed in the following sections of this report.

# Managing Finances

The key factors supporting our assessment are set out below. We scored the KLoEs for managing finances as follows:

Key Line of Enquiry		Score
1.1	The Authority plans its finances effectively to deliver its strategic priorities and to secure sound financial health.	3
1.2	The Authority has a sound understanding of its costs and performance and achieves efficiencies in its activities.	2
1.3	The Authority's financial reporting is timely, reliable and meets the needs of internal users, stakeholders and local people.	3

We identified robust arrangements in place for the budget setting process. The budget setting process had introduced a risk based process which incorporated the strategic priorities of the Authority. The Force also had a robust three year plan which it had used to develop its budget.

Significant improvements were made in the financial planning process in 2008/09 and extensive consultation was undertaken regarding the 2008/09 budget and expectations of the police service.

The Authority has a track record of managing within its budget. Budgetary controls had been assessed by internal audit and significant assurance provided.

Costs were controlled through the budget process at the Authority. The devolved budget setting process involved detailed modelling and challenge by critical friends from the core financial team. Within the detailed budget information there was a subjective analysis line by line of costs and the Authority could drill down into any area to get to this level of detail.

The Authority had a demand management system to ensure that officers were matched to demand.

The Authority demonstrated excellent collaborative working to ensure efficiencies were obtained.

For 2008/09 the Authority exceeded the productivity and efficiency targets, achieving £7.3m against a target of £6.1m.

The working papers produced for our interim audit and final audit were for the most part of a very high standard. No material adjustments were required to be made to the accounts and the errors identified were few and relatively small.

## Managing Finances: Opportunities for Improvement

On 28 January 2009, the Home Office published a refreshed version of the tripartite agreed efficiency and productivity strategy for the police service for 2008-11. The strategy sets out expectations on authorities and forces in achieving cashable efficiency gains between 2008 and 2011, Leicestershire Police Authority have a target of 10.3 percent. We envisage that going forward KLoE 1.2 will be subject to more specific focus within the CAA quality assurance process. How the Authority and Force responds to pressures on resources will also

feed through into the other KLoEs.

As part of examining the changes from 2008/09 we will consider the consultation arrangements around the 2009/10 budgets and service provision. We will also review how the Medium Term Financial Plan has been updated to reflect current financial pressures and the sensitivity analysis of key balances, for example debtors and reserves.

To achieve performance at level 3 for KLoE 1.2 the Authority will need to demonstrate its use of comparative information and benchmarking to compare unit costs and performance across the full range of activities. We will consider how Members, the Chief Constable, senior officers and managers have used the information to review and challenge value for money throughout the activities of the Force and the Authority and how performance has changed/improved as a result.

The Authority and Force will need to demonstrate a good understanding of costs across the full range of activities, supported by a systematic analysis of cost drivers and how these can be managed and the factors that influence them. Cost and performance information should be used in the financial and service planning process to make decisions about policies and service provision and to identify efficiency savings.

There should also be evidence of improved productivity through a gradual reduction in unit costs and increase in service levels and efficiency over time.

The Authority should aim to include environmental and social information within its external reporting, with an analysis of the Authority's environmental footprint. The Authority should also consider where it is able to include diversity issues in reporting, i.e. by reporting who receives services and where money has been spent (for example, across demographics and services).

# Governing the Business

The key factors supporting our assessment are set out below. We scored the KLoEs for governing the business as:

Key Line of Enquiry		Score
2.1	The Authority commissions and procures quality services and supplies tailored to local needs, to deliver sustainable outcomes and value for money.	3
2.2	The Authority produces relevant and reliable data and information to support decision making and manage performance.	3
2.3	The Authority promotes and demonstrates the principles and values of good governance.	3
2.4	The Authority manages its risks and maintains a sound system of internal control.	3

The Authority commissions and procures quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money. The Procurement Department at the Authority produces an annual business plan and annual report. There is an electronic web based procurement system in place. The Procurement Department is set targets in relation to savings and the cashable target of £300,000 for 2008/09 was being met.

The Authority demonstrated excellent collaborative working to ensure efficiencies were being obtained. We noted in particular:

- the decision to equip vehicles with full desktop capabilities and the benefits of this; and
- the Force website developed specifically for resource planning.

We noted sound arrangements in relation to information governance and data quality. The Authority had a three year data quality and information management strategy in place and data quality was a standing item on project board meetings. The Authority had information sharing protocols in place. Internal Audit gave significant assurance for all reviews where an opinion was given.

We concluded that the Authority performed well in relation to promoting and demonstrating the principles of good governance and noted a number of good practices. Roles and responsibilities were clearly set out for all committee members. There was a clear scheme of delegation in place and the Authority had reviewed its Code of Corporate Governance.

The Authority provided detailed training to all members including ethics and scrutiny training; this was also offered as a service to the other regional forces as it is an area of strength for the Authority. Training records were maintained for members and development plans were in place that were informed by the completion of self-questionnaires.

There was a complaints procedure that was published on the website.

In 2008/09 the Authority concentrated on ensuring that its risks were more streamlined and focussed. Internal audit reviews of risk management and risk maturity both resulted in significant assurance opinions.

The Force had its own anti-corruption unit which had an intelligence and operational arm and the Authority had a specific whistle blowing policy covering confidential reporting of potential issues.

We also noted:-

- excellent collaborative practices in relation to governance such as the sharing of a pool of laypersons;
- the ethical governance audit and self-assessment survey;
- the 'Extranet' used by members;
- the independent panel consulted in relation to setting members allowances;
- the Police Authority business continuity plan;
- the role of the Authority and Force in The Local Resilience Forum; and
- that as a regional partnership the 5 East Midlands Authorities had met to discuss and rank their risks; the outcome of this was used to inform a redrafting of the Force's collaboration plans.

Governance and risk arrangements around partnerships continue to be areas of focus. We will look at work undertaken to critically appraise how partnership arrangements have contributed to achieving strategic objectives.

#### **Governing the Business: Opportunities for Improvement**

There should be a clear, accessible explanation of the procurement strategy on the Authority's website with effective and user-friendly guidance appropriate to all service users, the wider community and potential suppliers.

In focusing on changes since 2008/09 the Authority and Force could consider how they might demonstrate more fully that they are self-aware and have an approach to learning from activities such as:

- the experiences of people who use services;
- post-implementation reviews of major projects;
- external reviews;
- benchmarking;
- staff feedback;
- complaints; and
- whistleblowing cases.

# Managing Resources

The key factors supporting our assessment are set out below. We scored the KLoEs for managing resources as:

Key Line of Enquiry		Score
3.1	The Authority makes effective use of natural resources.	*N/A
3.2	The Authority manages its assets effectively to help deliver its strategic priorities and service needs	*N/A
3.3	The Authority plans, organizes and develops its workforce effectively to support the achievement of its strategic priorities.	2

\*Note: KLOEs 3.1 and 3.2 were not specified KLoEs for 2008/09 for police authorities. For this theme only KLoE 3.1 will be assessed in 2009/10.

At the end of 2008/09 the Authority was not meeting 2 out of 5 of its key organisational management performance indicators. Police staff sickness absence was 67.6 hours against a target of 59.2 hours, whilst the performance in relation to the recruitment of ethnic minority police officers was 9.9% against a target of 13.5%. In addition to this, female police officer representation was 24.6%, which was only marginally above the target set of 24%. However, we concluded that arrangements were adequate in relation to effectively developing the workforce to support the achievement of the Authority's strategic priorities.

We noted a number of areas of good practice in relation to workforce. The Authority had a People Strategy which covered a four-year timeframe. The individual objectives in the annual human resources (HR) business plans were directly linked to the medium and longer term aims. In turn the medium and

long term aims informed the targets set in the annual HR business plans.

The results of staff surveys had been used to improve processes. The Force had a suggestion scheme. It had also launched its 'Leadership in Partnership' programme, in conjunction with public sector partners and the Warwick Business School.

A bespoke e-learning resource facilitated efficient delivery of a number of courses.

The Authority had a strategic and equality confidence board which included representatives from different under-represented groups. Each group had access to work time and a separate corporate budget to support their network activity.

A number of awards were presented to the Authority in relation to workforce including one for disability equality and the RNIB employment award. The Authority was also shortlisted for the 'Advancing women in Public Service' award.

## Managing Resources: Opportunities for Improvement

To achieve level 2 performance for KLoE 3.1 the Authority will need to show that it has a clear understanding of its main resource use areas across its major sites, for example headquarters and main stations. It will need to be developing baseline information on its consumption of natural resources, including water, and using this to inform the development of its strategy. It will also be incorporating targets and developing the systems and processes to monitor progress against them.

Less than the above is likely to indicate level 1 performance.

For level 3 performance, the Authority will need to have a strategy in place supported by delivery plans. Not only will it need to have a clear understanding of its main resource use areas across all its major in-house operations but it will also be achieving clear reductions in these major areas when measured using the same basis for calculation year-on-year (i.e. a real trend of reduced resource usage). The Authority will also need to evidence how it is working with partners to help reduce its impact on the environment.

We have not detailed opportunities for improvement for KLoEs 3.2 and 3.3 as they will not be assessed in 2009/10.

# Opportunities for Performance Improvement

As part of our assessment, and through review of the Use of Resources guidance issued by the Audit Commission, we identified a small number of opportunities for further development which should be considered by the Authority as part of its ongoing agenda of continuous improvement. However, the overriding message if the Authority wishes to improve its performance assessment under the CAA regime is to focus on the Authority's achievements, outputs and outcomes rather than the processes and procedures for each of the areas of focus within each KLoE. Furthermore, when considering the Authority's achievements, outputs and outcomes this should be done in the context of the Authority's and Force strategic objectives. In other words the highest levels of performance under CAA will be achieved by organisations that can demonstrate high levels of performance against their strategic objectives and high levels of relative performance when compared to their peers, not just locally but nationally. We have outlined opportunities to improve performance under each KLoE theme.

Where the Authority achieved level 3 last year we will need to satisfy ourselves that there has been no deterioration since our 2008/09 assessment. In practice this will mean focusing on what has changed and what differences those changes have made in practice.

In broad terms, to achieve/maintain a level 3 performance the Authority will need to be able to illustrate demonstrable positive outcomes which are effective and have been the intended impact of actions. Arrangements should also show evidence of effective partnership working where this is appropriate.

The Authority will need to illustrate that it has implemented effective arrangements that are:

- forward looking and proactive in identifying and developing opportunities for improvement; and
- include more sophisticated measuring and assessment techniques.

The underlying principles of the scoring system are outlined in Appendix 1.

There is no mandatory requirement to complete a self-assessment; however, in our view a robust self-assessment provides an ideal opportunity for the Authority to demonstrate that it has effective arrangements in place. A good self-assessment, for each KLoE, would:-

- consider partnership working and data quality arrangements;
- include strong examples of outputs for each sub-heading under each KLoE; and
- focus on changes since the 2008/09 assessment.

## Achieving Level Four

Experience has shown that it is a challenging process to achieve level 4. To achieve level 4 all the requirements of level 3 within the KLoE need to be met. As outlined below innovation and best practice are required and the Authority will need to show that in-year this has resulted in intended and significant outcomes which are in line with strategic objectives. Best practise submissions are also required. We will liaise with the Authority and provide guidance and support as appropriate.

### Guidance on outcomes

Evidence of outcomes would normally be expected in the year of assessment. There will however often be a time lag between the investment and seeing the outcome, for example the reduction in CO2 emissions over a 20-year period. In these circumstances, evidence of tangible progress against realistic key milestones should be provided.

Nationally, a number of specific KLoEs were identified as being more challenging to identify outcomes. We have included some cross sector examples of outcomes provided by the Audit Commission to act as an illustration in Appendix 2.

# Appendix 1: Underlying principles of performance

The table below summarises the underlying principles which auditors should apply when assessing performance. The principles are implicit in the characteristics and guidance for each KLOE. Level 1 represents a failure to meet the minimum requirements at level 2.

<b>Level 2</b> <b>Meets only minimum requirements - performs adequately</b>	<b>Level 3</b> <b>Exceeds minimum requirements - performs well</b>	<b>Level 4</b> <b>Significantly exceeds minimum requirements - performs excellently</b>
Arrangements that are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.	Implemented effective arrangements that are: - forward looking and proactive in identifying and developing opportunities for improvement; and - include more sophisticated measuring and assessment techniques.	Demonstrating innovation or best practice.
Arrangements sufficient to address the KLOE, demonstrating, for example: organisational leadership and commitment; partnership working; appropriate capacity and skills informed by priorities with supporting action plans as appropriate.	Outputs and outcomes demonstrate arrangements which are effective and have the intended impact. Where appropriate, the arrangements show evidence of effective partnership working.	Demonstrating strong outcomes for the community including through partnership working.
Arrangements that achieve minimum acceptable levels of performance.	Evidence of performing consistently above minimum acceptable levels and achieving value for money	Evidence of performing well above minimum acceptable levels and achieving excellent value for money.

# Appendix 2: Cross sector examples of Outcomes

KLoE	Illustrative Examples of Outcomes
2.3	<ul style="list-style-type: none"> <li>● The quality and effectiveness of leadership in delivering change at the Primary Care Trust (PCT) was praised in a recent World Class Commissioning (WCC) review.</li> <li>● Partnerships are being used effectively to deliver VFM, for example a joint decision was made to decommission a block contract with a mental health provider as it did not represent VFM over the long term.</li> <li>● The PCT can demonstrate strong governance arrangements coupled with the negative assurance that there have been no significant breaches of conduct over the last few years.</li> <li>● The PCT obtained above average feedback from stakeholders on its local leadership in the World Class Commissioning assessment.</li> <li>● The Audit Committee receives reports at each meeting on fraud investigations, closely monitors outcomes, lessons learnt and remedial action. There have been no significant breaches of the ethical framework in the year.</li> <li>● The Council has an excellent training and development programme for Members including individual PDPs and one to one mentoring. The programme is recognised nationally and the Council has been awarded the Member Development Charter Award. The Council has received positive feedback from Members who feel the programme helps them considerably in carrying out their roles.</li> <li>● The Council has used its leadership on the LSP to excellent effect, sharing best practice on community engagement and leading on the development of the LSP's Comprehensive Engagement Strategy. This has helped to ensure that partners engage with the local community and have a strong understanding of common aims.</li> <li>● The results of the Stakeholder Survey show a high level of public and partnership trust about the Council's ethical framework and that the Council is seen as honest and open about its performance.</li> </ul>
2.4	<ul style="list-style-type: none"> <li>● The PCT can demonstrate a positive risk culture which extends to partnerships. The PCT can point to the successful delivery of a large project through effective partnership risk management.</li> <li>● The Audit Committee can demonstrate it has a positive impact on the maintenance of effective internal control. It has implemented performance indicators for internal audit around planning, performing and reporting the results of their work and implementation of recommendations. These are reviewed at each meeting and action minuted for instances of underperformance. This has resulted in: <ul style="list-style-type: none"> <li>- year-on-year improvement of internal audit performance against plan from 65% to 90%; and</li> <li>- improvement in the implementation of recommendations (six 'low priority' recommendations outstanding at the year end).</li> </ul> </li> <li>● The PCT can demonstrate strong risk management and internal control arrangements coupled with the negative assurance that there have been no significant issues in internal control over the last few years (as evidenced through the arrangements for producing the Statement on Internal Control (SIC)).</li> <li>● The PCT works closely with its partners to plan their response to major disasters such as a flu pandemic and flooding. For example, effective business continuity planning is demonstrated by the way the PCT secured service continuity after a flood at one of its buildings.</li> </ul>

3.1	<p>Outcomes should be measurable and expressed in relation to a relevant baseline or target.</p> <ul style="list-style-type: none"><li>• The body is meeting or exceeding challenging targets for reduction in staff business mileage resulting in a quantifiable reduction in CO2 emissions of X tonnes in the period XX - XX.</li><li>• 70% of the Council's energy is purchased from green renewable sources, producing savings of £XXX in the period XX - XX.</li><li>• Council vehicles have been adapted to use a biofuel mix which has led to a quantifiable reduction in CO2 emissions of X% or X tonnes since XX.</li><li>• A water consumption assessment has been carried out across all metered council buildings, and benchmarks have been identified. Actions taken in response include using recycled water to wash Council vehicles resulting in a reduction in water consumption of X% since XX.</li><li>• Installation of a biomass boiler at the Council's headquarters using sustainable wood sources has resulted in quantifiable savings of £XXX for the period XX - XX.</li></ul>
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*In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made there under (collectively, the "Legislation"), you are required to disclose any information contained in this report, we ask that you notify us promptly and consult with us prior to disclosing such information. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with us, you disclose any such information, please ensure that any disclaimer which we have included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.*

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