

**Cleveland Police/
Cleveland Police Authority
Corporate Governance Inspection**

September 2005



INVESTOR IN PEOPLE

**Corporate Governance Inspection
Report**



Contents

	Page
1. Executive Summary	1
2. Introduction	3
3. Purpose of the Inspection	5
4. Powers and Guidance	6
5. Methodology and Timing	7
6. Background	8
7. Key Responsibilities	10
A. Strategic Planning and Direction	10
B. Performance Management	13
C. Best Value	14
D. Community Engagement	16
E. Human Resource Management	18
F. Managing Resources and Risk	22
G. Budgetary Controls	25
H. Audit Arrangements	26
I. Risk Management	27
J. Estate Management	28
K. Procurement and Contracting	29
8. Baseline Assessment	31
9. Conclusion	32
10. Recommendations	34

11. Suggestions	35
12. Appendices	
A. Hypotheses for inspection	36
B. Agreed Terms of Reference for CPA Panels	41

1 Executive Summary

This Inspection has been directed by the Home Secretary, following the discovery of a £7.3m budget deficit in the finances of Cleveland Police in 2004, as a condition of the grant of £6.3m to the Cleveland Police Authority, under special funding arrangements.

Having concluded his Inspection, Her Majesty's Inspector (HMI) of Constabulary recommends to the Home Secretary, that the additional monies granted under the special funding arrangements to the Cleveland Police Authority, and conditional upon the findings of this Inspection, should be approved.

The Inspection was led by HMI Mr K R Williams, CVO, CBE, QPM, BA, supported by the HMI (policy) and a team of HMIC staff officers. Additional expertise contributed in various ways, which included input from the Audit Commission and peer support from members of other police authorities, together with assistance from the Association of Police Authorities (APA). The Inspection was conducted in five main phases, which are fully explained later in the report.

Evidence to support the conclusions of the Inspection was gathered through structured interviews with 'key' members and officers of the Authority, senior officers of the Force, and the District Auditor, together with other interested stakeholders. Analysis of relevant documentation, third party evidence and evidence from HMIC's Baseline Assessment and Best Value inspection reports was carried out.

At the time of the Inspection, the impression gained by HMI was that since recent structural changes, the Cleveland Police Authority is now better positioned to deliver its core business. The strained working relationships between the Force and Authority that had existed prior to the AGM in June 2005, were found to have been addressed. HMI is cognisant that much work still needs to be done, although he is satisfied that the Authority and Force are now improving their professional working relations in order to deliver effective corporate governance and improved operational performance. HMI emphasises that further development of this 'joined up' approach is the key to effective governance arrangements and to deliver service improvement.

HMI is satisfied that the Force has a clear strategic vision and direction, which is effectively communicated by the Chief Constable and the Force executive and re-emphasised by the Police Authority. All plans are linked from the national policing plan through to local policing plans, including CDRP strategies.

During his formal Inspection in September 2005, HMI was pleased to note that Police Authority realignment had significantly tightened working arrangements with the Force and this was being used constructively to brief the Authority corporately on how the Force was performing.

Other than in some specific areas, HMI considers community engagement to be an area of comparative strength for both the Force and Police Authority. The Inspection confirmed that a strong emphasis is placed on community engagement and user satisfaction in terms of the service provided.

Given that weaknesses in the control of staff recruitment was a significant contributory factor in the development of the budgetary problems encountered by the Force and Police Authority, HMI was pleased to find that substantial checks and balances had been put into place by the Force, and overseen by the Police Authority, to ensure that there would be no recurrence of unapproved staff recruitment.

The recognition by the Force and Police Authority of the need to have effective oversight of the budget has led to medium-term financial planning being introduced in a focused manner for 2005/06 and again for 2006/07. To some extent, this was forced on the organisation with the need for the financial recovery plan, set against the budget deficit of £7.3m, together with the need for the Force and the Authority to have effective oversight of longer term demands on the budget and precept.

HMI was assured at the time of the Inspection that the level of professional financial advice available to members has improved, allied to the provision of budget seminars, not previously available to members.

There is a need to ensure greater control over the capital programme, a large part of which relates to estates. However, HMI was pleased to note recent improvements in 2005/06 in the management of this area, with detailed reports outlining progress, or indeed delays, being prepared for members. In addition, there is a need to maintain tight control on revenue expenditure, as presently there is uncertainty within the Authority as to the size of the planned maintenance backlog and its financial implications. As with capital expenditure, HMI notes the improvements made since the appointment of the assistant chief officer finance and commissioning.

As part of discussions on the 2005 Baseline Assessment with the Authority and Force, it was agreed to reclassify Finance and Resources Management to a 'Fair' on the basis that the Authority commits to implement the recommendations in this Corporate Governance Inspection report.

A follow up inspection is now scheduled for February 2006 and will be undertaken by HMIC's finance and resources adviser on behalf of HMI. Although the planned future inspection activity may be affected by decisions on strategic force structures currently being debated, HMI expects to see the recommendations made in this report being progressed without delay. As part of any future inspection, particular attention will be given to the progress and impact of the recommendations in this report.

2 Introduction

In order to introduce a neighbourhood policing approach, the Force developed the concept of a beat officer dedicated to each ward across the Force. To support this, the Authority agreed that a standstill budget should be set for 2004/05, with any increase in precept being used to fund the necessary growth. As early as July 2003 the then director of finance was tasked with setting such a budget. His reports between that date and December 2003, consistently projected a requirement between £2-2.5m.

On 29 January 2004 Cleveland Police identified a budget gap amounting to £7.7m. Early indication of this was given to the Cleveland Police Authority that day, whilst on 30 January, following further work by the Force, the Chair and Chief Executive were fully appraised of the situation.

Following initial review of the factors contributing to this significant problem, the chair of the Authority invited the Audit Commission to investigate the issues that had given rise to the budgetary gap. The Audit Commission examined the working papers produced by the finance department for setting the 2004/05 budget and calculating the size of the budget gap. As a result of investigation the final estimated budget gap was £7.3m. In essence this was the gap between forecast expenditure for 2004/05 and forecast funding if the precept was unchanged and there was no change in reserves or new areas of growth. At the same time, HMI for the northern region was invited by the then chair of the Authority, to conduct an Inspection of corporate governance arrangements of the Force and the Authority together. This invitation was unusual in that, other than in very limited circumstances, HMIC has no inspection powers relating to police authorities except for the purpose of inspecting Best Value reviews. HMI agreed to conduct such an Inspection.

The timing of the Inspection was set originally for the summer of 2004 but subsequently delayed, at the Authority's request, for a number of reasons, including changes to the membership of the Authority.

Over this period, the Force and the Authority sought financial help from the Home Office under special funding arrangements to ease the difficulties arising from its budget shortfall. The Home Office ultimately agreed a grant to the Authority of some £6.3 million over three years, conditional upon a number of factors. A principal condition was that HMIC should inspect the corporate governance arrangements pertaining to the Force and Police Authority during 2005/06, with a requirement that the Authority should implement the recommendations flowing from the Inspection to a timeframe determined by HMIC.

The first tranche of the special funding (£1m) has already been released with a second tranche due in the latter part of the 2004 calendar year, assuming that the Force and Authority can demonstrate that good financial management and corporate governance are being maintained.

In April 2004, the Audit Commission published conclusions into how the budget deficit had occurred. These were as follows:

“The current financial position is difficult but has been considerably exaggerated in the way it has been reported publicly. The budget gap is not the result of any misappropriation of cash or a major breakdown of systems of internal financial control. A culture of unbridled growth and too little regard for good financial management had developed within the Police Service. Until last year this culture had been largely unchallenged by the Police Authority”.

The recent budget crisis has served to highlight the importance of addressing the need for good financial management to both the Force and Authority, of appropriate medium-term financial planning and to end the growth culture particularly in respect of the unauthorised appointment of staff. This growth culture was identified as the main cause of the difficulties. Indeed, in his first three month review of the Force, the Chief Constable identified the need for a senior finance officer operating at strategic level within the Force. Ironically at the time this crisis emerged, following a recommendation from HMIC, a selection process had just been concluded.

There were 16 recommendations made by the Audit Commission, in response to which, the Force and Authority drew up a revival plan. Each of the proposals were then discussed with the author and the Audit Commission to analyse the evidence and consider the realism of savings plans. Wherever appropriate, each was discussed using a traffic light system to indicate the likelihood of success in achieving savings.

As a result of this system, £5.3m of savings were assessed as ‘green’ and a further £2.2m as ‘amber’, meaning that just £0.3m is viewed as ‘red’ and unlikely to be achieved. However, about £3m of these savings would result from one off measures and further savings would be required in 2005/06 to prevent a significant budget deficit for that year. (Source: District Auditors Report – April 2004.)

The Authority and the Force management team are now working positively together to take appropriate recovery action in order to improve the financial health of the Force and strengthen financial management arrangements.

3 Purpose of the Inspection

The purpose of this Inspection was:

- to examine the current governance and financial management arrangements and make recommendations for their improvement;
- to ensure that individual roles and responsibilities within the context of the tripartite system are fully understood and effectively discharged;
- to provide assurance that effective structures and processes are in place which will deliver proper stewardship of the Cleveland Police Authority resources, and support the Force's continued improvements in performance; and
- to provide sufficient assurance to the Home Secretary about the Cleveland Police Authority's corporate governance capabilities to allow the full release of the approved grant.

The term 'corporate governance' is interpreted in various ways but always covers issues around leadership, planning, oversight of service delivery and stewardship of resources. For the purpose of this Inspection, it encompasses strategic planning and direction, performance management (including Best Value arrangements), community engagement, human resource management, financial management and controls in respect of devolved budgets, the exercise of the Authority's scrutiny role and risk management. In order to conduct the Inspection as cost-efficiently as possible, reliance was placed on work already undertaken in respect of the Force's Baseline Assessment, Best Value assessments and other recent work.

The content of this report is principally focused on the activity and responsibilities undertaken by the Police Authority and Force within the context of corporate governance arrangements. In order to provide an appropriate backdrop and baseline position against which to assess relevant improvement, it has been necessary to outline the identified shortfalls evident during the early stages of the Inspection. This should not detract from the welcome changes to structures, processes and partnership approaches.

4 Powers and Guidance

The 'Good Governance Standards for Public Services', Association of Police Authority (APA) self-inspection improvement framework, HMIC's Police Authority inspection and Baseline Assessment protocols, provide the framework for the Inspection. The inspection team was also cognisant of developments outside of policing such as the Audit Commission's comprehensive performance assessment.

Key legislation and documentation include:

- Primary legislation:
 - Police Reform Act 2002
 - Police Act 1996
 - Local Government Act 1999
 - various local government Acts covering finance and contracts, e.g. role of the statutory finance officer (section 151 officer).

- Statutory and professional guidance:
 - Financial Management Code of Practice (2000) (includes Property and Contracts)
 - Home Office Financial Management Code of Practice (2000)
 - Home Office Best Value and Planning Guidance 2003
 - CIPFA – *Role of Finance Officer in Local Government* and the supplement on the *Role of the Force Finance Director and Treasurer in Policing*.

5 Methodology and Timing

The Inspection was led by Her Majesty's Inspector for the northern region, supported by the HMI (policy) and a team of HMIC staff officers. Additional expertise was contributed in various ways by the Audit Commission and peer support from members of other police authorities, together with assistance from the Association of Police Authorities (APA). The Inspection was conducted in five main phases as follows:

- data gathering and analysis;
- initial pre-inspection conducted in w/c 13 June 2005 by HMIC staff officers **with input from the APA**;
- follow up pre-inspection conducted w/c 22 August 2005 by HMIC staff officers **with input from the APA**;
- formal Inspection conducted w/c 19 September 2005 by the HMI for the northern region; and
- report preparation and presentation.

The Inspection was conducted against terms of reference and hypotheses that were formulated with, and agreed by, both Cleveland Police and Cleveland Police Authority in advance (Appendix A).

Evidence to support the conclusions of the Inspection was gathered through structured interviews with 'key' members and officers of the Authority, senior officers of the Force and other interested stakeholders particularly the external auditor. Additionally, analysis of relevant documentation was undertaken and third party evidence and evidence from HMIC's Baseline Assessment and Best Value inspection reports were considered. Appropriate reports relating to Cleveland Police/Authority can be found at the following website address - <http://www.inspectorates.homeoffice.gov.uk/hmic/>

Where appropriate, comparative data and information was used to inform the Inspection and its recommendations.

6 Background

Following the 'Sheehy' Inquiry into policing which was conducted during the early 1990s, Cleveland Police was amongst the first forces in the country to adopt a major decentralisation approach and devolve staff and functions from Force headquarters to its constituent divisions and departments.

Although satisfied with the key principle underpinning the concept of decentralisation and devolvement, in his Inspection of the Force in June 2003, HMI emphasised at that time the critical importance of the Chief Constable and Authority maintaining tight control over corporate policy and strategy when such decentralisation had occurred. This was fully supported by the new Chief Constable, who had similarly identified a vital lack of corporacy across the Force as a potential barrier to delivering necessary improvements.

HMI found during that Inspection, that control had been weakened significantly within Cleveland. The Authority, mainly as a consequence of Operation Lancet (a lengthy and very high profile inquiry), had had its attention diverted from its core business of holding the Chief Constable to account, through use of effective processes and decision-making structures. The HMI made a mainstream recommendation within his Inspection report that directly related to the Authority. That recommendation was as follows:

“Her Majesty’s Inspector recommends that the Cleveland Police Authority, as a matter of absolute necessity, must refocus its attention on its core corporate governance responsibilities of Best Value, consultation and partnership development and ensure the provision of an effective and efficient police service in Cleveland. (Source: HMI inspection report June 2003 – Cleveland Police.)”

The operational performance of the Force up until that point had been weak in a number of critical areas of service delivery, and the recently appointed Chief Constable and the Authority embarked on a strategy to improve performance across a broad spectrum of activity.

However, upon his appointment in March 2003, the Chief Constable had inherited a major 'change programme' from his predecessor that amounted to a massive restructuring of the Force. The date of his appointment coincided with commencement of planned implementation. It quickly became clear that the planned changes had not been properly considered and contained major flaws. After due consideration the change programme was cancelled and associated changes that had taken place, were reversed. During this time the relationship between the Chief Constable and the Police Authority was largely professional and productive. However, early differences of opinion were beginning to emerge.

Following a briefing to the Force Executive on 13 January 2004, further work on the budget was commissioned. This was to be presented on 30 January. It was in the preparation of the presentation that a significant deficit in the

Force's budget amounting to £7.3m emerged. A major breakdown in the working relationship between the Force and the Authority followed almost immediately.

Structural changes within the Authority, including a move to a new executive structure of governance, were also being suggested. The eventual change to this approach resulted in the Police Authority making decisions at its monthly meetings, although the perception by some members interviewed was that a small minority of Authority personnel and members were fully involved in the decision-making process, with other members being almost peripheral to core business.

Ahead of its annual general meeting in June 2004, the long-standing chair of the Authority stood down and was succeeded by his deputy, the then vice-chair. From this point onwards the relationship with the Force executive team gradually improved. However, though improving, the relationship continued to remain difficult and it was against this background that the initial stages of this Inspection were conducted.

At its annual general meeting in June 2005, during the week the initial pre-Inspection work was taking place, the Authority appointed a new chair. Almost immediately, the new chairman articulated a positive approach, his intention to build better relations with the Force, his vision to rapidly restructure the Authority and to facilitate a more traditional style of governance. This was fully supported by the Chief Constable.

The chairman built upon the positive attitude of the Force executive to the restructuring of the Authority. In doing this he actively sought the views of the Chief Constable whose recommendation of a panel structure was readily accepted. The restructure was to include committees or panels with specific functional responsibilities, thereby engaging and fully involving all Authority members in the 'total' business of the Authority and resting overall direction firmly within the chair's position.

It was quickly evident during follow-up visits by HMIC that these changes to corporate governance arrangements were beginning to have a significant beneficial effect on the manner in which the Authority was conducting its activities. It was therefore necessary for the inspection team to assess progress since its initial preliminary findings.

7 Key Responsibilities

A) Strategic Planning and Direction

In his initial Baseline Assessment of Cleveland Police, in April 2004, HMI considered that the strategic planning process was not sufficiently robust or effective in driving the organisation forward. Central to this issue was a legacy of devolvement to a point whereby the four constituent operational districts of the Force were almost operating as four independent 'mini' police forces within the larger corporate body. The assessment confirmed that gaps existed within critical areas of the overall approach to strategic management, such as analytical capability, environmental scanning, corporate planning and the lack of integration of some senior managers within the strategic planning process. There was also evidence that there were shortfalls in how financial control was being exercised and the management of staff, within a human resources context, was a cause for concern.

In this respect the Police Authority, although not directly assessed, has an ongoing statutory duty to develop appropriate strategic plans and processes in conjunction with the Chief Constable to deliver and drive policing activity.

In October 2004 the Baseline Assessment was redrafted into the police performance assessment framework (PPAF) domains. At that time evidence was emerging that the Force and Authority were beginning to tackle and address some of the weaknesses identified earlier. The Authority had reviewed its structure and was moving to a cabinet style of governance. The vital issue of corporacy across the Force was being addressed via a number of groups, which focused at the strategic level. These included a drugs strategy steering group, demand management group and a robust performance management regime driven by the assistant chief constables through a structured monthly performance review (MPR) attended by a member of the Authority.

By this time, a comprehensive financial revival plan had been agreed between the Force and the Authority to assist with the delivery of efficiency initiatives, which would, in part, address the considerable financial problems faced.

In April 2005, when HMI undertook the most recent Baseline Assessment, he was pleased to recognise that a considerable amount of progress had been made. HMI is satisfied that the Force now has a clear strategic vision and direction, which is effectively communicated by the Chief Constable and the Force executive officers, and actively supported and re-emphasised by the Authority. All plans are linked from the national policing plan through to local policing plans including CDRP strategies. As a result, he was able to assess strategic management working arrangements as 'Fair' and improved. Full details of the assessment can be found at HMIC's website: www.inspectorates.homeoffice.gov.uk/hmic.

The Force budget revival strategy has been introduced and is being rigorously implemented. It has led to comprehensive cost savings and total efficiency

savings of £10.1m of which £4.3m were recurring. The Force executive team supported by Authority members presides over a critical challenge of all service unit budgets in order to identify savings. This is augmented by the monthly performance review regime, incorporating standing items including human resource management, finance, performance and the service delivery agenda. The critical concept of corporacy across the Force is being driven primarily through this performance review process, Force strategies, the policing plan and the performance review framework.

HMI considers that the review of the Police Authority executive by the new chairman in June 2005, and the introduction of a new panel structure based on current needs of members, is a very positive development. HMI is of the view that this new structure will be more effective for Authority decision-making arrangements, considering the complex tripartite considerations often brought into strategic debates and of which the Authority and Chief Constable must take cognisance. The change in structure has also assisted with and enabled improvements in strategic management and planning, and meaningfully involved members in the activities of the Authority.

Five 'new' panels of the Authority have been formed as follows:

- modernisation panel (this panel has plenary powers);
- finance panel;
- performance panel;
- community safety panel; and
- complaints panel (this panel has delegated powers).

See Appendix B for a full list of each panel's responsibilities and powers (inclusive of the Standards Committee remit).

The chair and vice-chair of the Authority are ex officio members of all panels, and any member can attend the meetings of any other panel as observers but without voting rights. Each panel has a defined chair and vice-chair, together with a nominated lead officer (complaints panel excluded), and all panels operate to terms of reference developed by the panel members themselves in conjunction with the Authority's chair. Evidence was provided to the inspection team that members have directly been made aware of their responsibilities and are held to account for their actions. Indeed, during the course of the Inspection, the chair of one of the panels voluntarily stood down on the grounds that his professional commitments precluded him from fulfilling his responsibilities as panel chair.

HMI was pleased to see during his Inspection in September 2005 that this 'new' approach to corporate governance was already starting to prove its worth. There was strong evidence of the inclusion of members in Authority business, with members being keen to stress the benefits of new arrangements and there is transparency in the decision-making process. Force executive members confirmed their view that there had been an obvious and positive sea change in the approach of Authority members who were now better informed and were already challenging the Force in a critical

but constructive manner, by acting more as a 'critical friend' than had been the position previously. He was particularly pleased to note that a culture of inclusion and co-operation between the Force and Authority was evolving with open sharing of information and greatly improved communication at all levels. This positive feedback also related to the role and approach of Authority officers.

It is recognised that the remit of the new panels and associated processes are still developing. During discussions it was acknowledged that some gaps within the panel structure were emerging, for example, the lack of a separate audit function, the siting of the procurement function and the current inclusion of human resource management arrangements within the modernisation overview panel.

There is a need to ensure that resources and performance are co-ordinated and brought together at the panel stage within the structure as, currently, different panels have oversight responsibility for each of these areas. Although HMI received some assurance that this was already being achieved through formal regular meetings of the chairs and vice-chairs of panels, these are critical elements of business and the Authority should ensure that oversight arrangements are both effective and maintained.

In this regard the chair did stress his intention to review the decision-making structure and associated arrangements after six months to assess their effectiveness. Whilst HMI is greatly encouraged by this foresight, he wishes to emphasise the need to keep panel structures under review and amend them in the light of emerging opportunities for improvement and experience. He recommends that such a review should be undertaken within a timeframe agreed between himself and the Authority.

RECOMMENDATION 1

Her Majesty's Inspector recommends that Cleveland Police Authority formally reviews its decision-making structure (panel arrangements) within a timeframe agreed between himself and the Authority and make necessary amendments.

HMI was pleased to note that as part of its restructuring, the Authority has recognised the need to update its service development plan. HMIC will monitor its implementation as part of its wider responsibilities to oversee the implementation of the recommendations contained within this Inspection report.

B) Performance Management

The operational performance of Cleveland Police has been a concern for some considerable time. In his 2003 report, HMI commented on the lack of a performance culture and weaknesses in performance management and the PDR system, and interpreted these shortfalls as good evidence to support the view that the organisation was not, at the time, fully performance driven.

HMI recommended then that the Force should review its performance management processes as a matter of priority and take urgent steps to turn itself into a performance driven culture.

In the initial Baseline Assessment in April 2004, HMI concluded that performance management was still an area of weakness of the Force. Outturn evidence in terms of critical areas of business delivery such as volume crime reduction and investigation were generally poor by comparison to the most similar force group (Merseyside, South Yorkshire, Northumbria, West Midlands and West Yorkshire), and was also almost consistently bottom quartile when compared against national averages. Whilst there was evidence of the clear commitment of the then 'new' ACPO team to raise performance levels, HMI was particularly concerned that the PDR regime remained inadequate, and the manner in which the Force and Authority were collaborating to monitor performance lacked resilience. Although the MPR system, which included a strategic performance review, had been introduced, the Authority did not participate in in-Force meetings such as the monthly strategic performance conference.

By the time of HMI's Baseline Assessment refresh report in October 2004, there was clear evidence emerging that the performance management regime was beginning to show results. The MPR process, which involved all members of the Force executive but with operational performance being driven specifically by the two assistant chief constables, though still evolving, had more rigour. Engagement with the police standards unit had identified areas for improvement across many systems underpinning performance, and it was apparent that the Authority was focusing upon this critical area. The Authority was represented at the monthly strategic performance conference but, as it subsequently transpired, there was no 'internal' mechanism to feedback performance information from the forum to the wider Authority.

In his Baseline Assessment of April 2005, HMI was pleased to acknowledge that progress had been made within this critical area of business. The rigour of the process had resulted in significant reductions in crime levels in percentage terms, together with improvements in crime detection levels. Internal realignments within the Force had focused on tightening administrative procedures, the introduction of a mandatory ePDR (electronic performance development review) system applicable to all staff and the integration of the internal Force inspectorate within the corporate performance and planning department. He assessed the prevailing position as 'Fair' and improved.

This Inspection has highlighted that the Authority continues to strengthen working arrangements with the Force, and performance information from the strategic performance review meetings is being effectively analysed internally and used constructively to brief the Authority.

Discussions with the Chair, members and officers of the Authority, confirmed the intention to instil a performance culture within the Authority itself. An ePDR system, operated in conjunction with the Force system, is to be introduced for all Authority personnel.

C) Best Value

The Police Authority has been the subject of several inspections and reports by HMIC over the past few years that have raised concerns over the arrangements and delivery of Best Value. These concerns have been acknowledged by the Authority and Force, in particular the need for increased involvement by members in the Best Value process and the need for a more robust and joint approach. The chair of the modernisation panel has stated his intention to improve processes, including a brief to monitor any slippage on reviews being undertaken, particularly as before restructuring there was a lack of clarity as to where prime responsibility for Best Value lay within the Authority.

As part of this commitment, the chair of the panel has organised a half-day seminar for Authority members and support staff on Best Value. In addition, in answer to questions from HMI during the Inspection, he also agreed that the panel would monitor the implementation of outcome evaluation/benefits realisation reports to assess the final achievements of each review undertaken.

Whilst it is clear the Police Authority has the legal accountability for Best Value, the Chief Constable is constitutionally personally responsible for operational service delivery. Consequently, they must work together to ensure that Best Value reviews (BVRs) make a significant improvement to service delivery. In that light, HMI was pleased to note the updated Best Value procedures prepared by the Force and accepted by the Authority.

The inspection team examined the Best Value arrangements and work being undertaken on the review known as the Ladgate Lane Review, principally as a vehicle to assess the Best Value methodology and overall progress made since the previous inspection conducted in June 2003. This was a light touch assessment conducted over two days with a limited number of interviews being undertaken. The intention of the assessment was to give the Police Authority and Force an indication of strengths and areas for improvement within the Best Value arrangements prior to, and as part of, the formal Corporate Governance Inspection to which this report refers.

The assessment indicated that the Authority, assisted by the Force, regarding the provision of vast amounts of data for instance, had embarked on a very

ambitious review to assess and improve the activity of the functions within police headquarters (Ladgate Lane). Also, activity in support of the Force financial revival plan was driving out cost savings coupled with the rationalisation of staff and working practices. At the time the picture was confusing to some members and officers, as the intentions and outcomes of the Force financial revival plan had become blurred with the intentions and recommendations of the Best Value review. The review itself was found to be inward facing and application of the 4Cs (comparison, consultation, challenge and competition) was limited, e.g. there had been no consultation with the public or partners and an unconvincing benchmarking exercise had been undertaken. There was evidence of a lack of scrutiny by the Authority and lack of awareness of some members as to the legal and constitutional position in respect of Best Value.

Additionally, there had been a lack of action to progress many of the previous recommendations made by HMIC, and the Authority had not implemented the Home Office Best Value and Planning Guidance published in August 2003, which contains statutory guidance. This was recognised by the Force and a new methodology was quickly developed and is now in existence.

Although important governance changes have been made as described earlier, the Authority/Force lag behind many other Best Value authorities. The Authority/Force has reflected on the lack of operational outcomes and has put in place 'Workstream Three', a series of Best Value reviews that have the potential to bring ongoing improvements to front line policing as intended in the Local Government Act 1999. Any future analysis of reviews contained within 'Workstream Three' should identify as a success, those that are able to deliver credible actionable recommendations. It is crucial that people with the appropriate skills and strategic awareness have effective involvement in improvement activities.

RECOMMENDATION 2

Her Majesty's Inspector recommends that the Authority and Force should actively monitor, assess and prioritise emerging workloads and issues of 'Workstream Three' to ensure that staff levels/skills remain appropriate and reflect the complexities of the work and depth of enquiry needed to produce actionable recommendations.

RECOMMENDATION 3

Her Majesty's Inspector recommends that the Authority's modernisation panel effectively monitors outcome evaluation reports relating to Best Value reviews.

Many police authorities have, over the previous four years, undertaken Best Value reviews of their own function, or part of their function, in order to identify strengths and areas for improvement. Whilst HMI recognises the proactive approach adopted towards self-improvement, he considers that conducting a Best Value review of the Authority function will bring further benefits and help assess the effectiveness of changes to date.

RECOMMENDATION 4

Her Majesty's Inspector recommends that the Authority should undertake a Best Value review of its functions, within the emerging context of structural changes to policing services in the region. The review should build on the self-assessment work already commenced.

Since the early assessment of Best Value, undertaken as part of this Inspection, the Police Authority, under the leadership of the new chair, has demonstrated that it is receptive and willing to effectively work in partnership with the Chief Constable to progress Best Value arrangements and its operating methodology. HMI was pleased to learn that many of the suggestions for improvement made following the assessment of Best Value have been accepted by the Authority and Force, and that Best Value operating arrangements and associated methodology has been changed or updated.

D) Community Engagement

Other than in some specific areas, HMI considers community engagement to be an area of comparative strength for both the Force and Police Authority. The Inspection has confirmed that a strong emphasis is placed on community engagement and user satisfaction in terms of the service provided.

Although the Baseline Assessments of April and October 2004 did not specifically grade this area of activity, positive feedback was received from

partners in respect of the levels of community consultation taking place. A five year consultation strategy is in being, together with a Force level independent advisory group, which is consulted regularly on a range of subjects. Examples include the response to the Asian Tsunami and the terrorist attacks in London in July 2005. Innovative approaches have been made to involve hard to reach groups in consultation exercises and there is a mechanism in place to respond to rising community tensions and critical incidents.

The Baseline Assessment for April 2005 did not contain a specific standalone section on community engagement (it having been absorbed in the wider framework of neighbourhood policing and community engagement). However, the assessment confirmed the Force was working hard through a number of different approaches to engage the community. HMI assessed the framework as 'Fair' and improved. Full details can be found on the HMIC website www.inspectorates.homeoffice.gov.uk/hmic.

During the Inspection, HMI was pleased to note that the Chief Constable and the chair of the Police Authority were working closely together in terms of Tier 3 (statutory) public consultation meetings. The emphasis of these public meetings, which take place across the four operational districts, has changed to reflect the corporate and unified nature of both the Force and Police Authority and then to deal with local issues of concern.

Feedback received during the Inspection confirmed that both the Force and Authority have made a determined effort to heighten their media profile. External consultants have been engaged to work alongside the Force media department to improve marketing activity and optimise newsworthy items.

Although pleased to acknowledge this development, HMI considers that specific marketing should now be undertaken to explain recent changes in structures, staffing etc. In respect of internal marketing within the Force, interviews confirmed that some senior officers had little or no knowledge of developments. It is reasonable to assume therefore, that more junior and middle ranking personnel were also unaware. HMI believes this to be an area where development potential exists and he urges both the Force and Authority to review their marketing strategy to address any possible shortfall.

Another marketing opportunity is in respect of the inter-relationship between the Authority and other public bodies across the Force area. Whilst the Authority is well represented in terms of its relationships with the four CDRPs, contact with senior representatives from local authorities confirmed that the Police Authority as a corporate body is viewed as being remote.

Her Majesty's Inspector **suggests** that the Authority should increase its engagement with strategic partners and relevant councils to enhance awareness and understanding of its statutory role and the role and responsibilities of members, as well as sharing with partners its strategic intentions.

HMI considers that such an approach would add value to the status of the Authority and provide opportunities to assist in fulfilling its legal responsibilities in respect of community engagement.

E) Human Resource Management

Given that weaknesses in the control of staff recruitment were a significant contributory factor in the development of the budgetary problems encountered by the Force and Authority, HMI reasonably expected to find that substantial checks and balances were in place. He was therefore pleased to confirm that such measures have been introduced by the Force in earnest, with oversight by the modernisation panel, in order to ensure unrestricted staff recruitment could not occur again.

Prior to the exposure of the budget shortfall, the central human resource department in the Force, together with the Force finance department, had largely operated separately and independently of each other with reporting arrangements not aligning budgets and resources. The Inspection confirmed that this major weakness had been recognised and following the appointment of a new head of personnel, the two departments had been working closely together. Budgets and resourcing issues were being discussed and reported on within the same document and closely scrutinised by the Authority's modernisation panel, which encompasses HR issues. Through the work of this panel, the Authority will ensure that the Force's HR plan is properly scrutinised and resourced. Internal audits of the HR function will be overseen by the Authority to ensure the application of professional standards throughout the Force. There will also be a link to the complaints panel.

Fundamental HR principals relating to the relationship between police forces and police authorities are that authority officers are advisers to members and as such they do not have any executive authority. Also the chief executive and Authority staff do not have any management responsibility for police officers or police staff who are employed by the Chief Constable. In Cleveland these principals have been restated, and an improved level of understanding of respective roles and responsibility within the tripartite arrangement is being achieved.

The Inspection confirmed that a 'training needs analysis' is to be conducted to identify individual training and development requirements of Authority members. This will be linked to the Authority's intentions to introduce ePDR for its staff and - wherever possible - members, and develop a linked high level training and development plan, with implementation targets. Individual plans are also to be agreed between members and the Authority chair/vice-chair. As part of the plan a corporate structure document detailing roles, responsibilities and delegations is to be produced.

A recurring theme reported during the Inspection was that in the past, members generally felt that they had not received training in various areas of activity. This has started to be rectified with the budget seminars held at the beginning of 2005. In more general terms, members stated that since the

AGM in June 2005 they had been asked to define their skills, outline what they can offer and what their particular interests are, i.e. where they believe they can contribute effectively in discharging their duties as members of the Police Authority. The change in approach is applauded by HMI who is keen to see this continue, particularly where new members to the Authority need appropriate training in order to properly and effectively fulfil their duties.

This laudable intention has the potential, when implemented, to drive and enhance member skills and abilities, thereby improving efficiency and effectiveness of the Authority function.

RECOMMENDATION 5

Her Majesty's Inspector recommends that the intended performance development review process for Authority members should be progressed. Its development should encourage as far as possible, agreed minimum levels of engagement in Authority activities, personal development objectives, a competency based personal review process and the wider development of a performance framework for all members and staff.

Allied to the additional training of members, is the continuance and development of seminars and 'away days' with officers from the Force. These activities are encouraged by HMI who views them as not only important training events, but also as opportunities to further strengthen the working relations between the Force and Authority.

During the Inspection some concerns were expressed to HMI about compliance with the requirements of the race relations legislation. He has however received confirmation that the Authority had renewed its race equality scheme and that members had received appropriate training within this important area of activity.

In respect of the overall cost of Cleveland Police Authority, HMI noted that the 2005/06 budget for the Authority amounts to £1.169m which places it as the highest authority budget per £m of turnover in the police service in England and Wales.

HMI acknowledges that Authority members and officers are aware of the comparative high cost, and acknowledge the need to find and realise cost savings. The Authority reviewed its whole officer structure and created a new secretariat to meet the new needs of the organisation. A subsequent report, which identified savings in the region of £150k per annum in officer costs, was

agreed by the modernisation panel at its meeting on 14 September 2005. Although having a positive and proactive contribution, the cost of the Authority remains high in comparison with the costs of other police authorities in England and Wales, whilst the size of Cleveland Police is at the medium/lower end of size of forces in terms of net budget requirement.

HMI accepts that the modernisation panel intends reviewing and assessing benchmarking data relating to costs of police authorities, and this may produce information to show further scope for savings that could be delivered. Nonetheless, HMI contends that a fundamental review should be undertaken to determine where further cost savings and improvements could be made. (HMI is of the view that such a review should be encompassed within a wider far-reaching Best Value review.)

It has been noted that the Authority has received benchmarking data to assist its assessment of Force requirements for delivery of an effective policing service. However, as an Authority it has not participated in benchmarking data relevant to its own resources and budget. For example, the APA from time to time conducts benchmarking exercises of authority functions with the previous national exercise being undertaken in 2002. Cleveland was one of only six police authorities of the 43 in England and Wales that did not provide any data for the exercise. Her Majesty's Inspector **suggests** that benchmarking should be undertaken proactively to establish the necessary remedial action on resources and budget.

In addition, statute requires a police authority to appoint a clerk and a treasurer as financial adviser. The Home Office Financial Management Code of Practice for the Police Service, as approved by Parliament, supports the statutory responsibilities of the treasurer (known as the Section 151 officer). The 'normal' arrangement within the police service is for a police authority to appoint a clerk (or chief executive) and a separate treasurer, although combining of the roles is considered lawful. Indeed, the Chartered Institute of Public Finance and Accountancy (CIPFA), in its professional guidance for local government, encourages the separation of the roles of chief executive and treasurer. It notes where this is not possible, that appropriate arrangements are put in place to ensure a separation of responsibilities to ensure that members always have access to independent financial advice. Within Cleveland, the chief executive officer to the Police Authority carries out both roles.

The Police Authority states that it has reviewed current arrangements and is of the view that it is not only satisfying its statutory obligation, but also working in compliance with relevant guidelines. As the arrangement is not common practice within police authorities, **HMIC will examine the review and its outcomes at a later date** to ensure that arrangements are suitable and compliant, and that members have appropriate access to independent financial advice.

A protocol setting out the respective roles of treasurer and Force finance director, although in place, was, at the time of the Inspection, being re-drafted,

together with Standing Orders. HMI urges that both documents are compiled as a priority and endorsed through the new panel structure and Police Authority. These should include a clear definition of the roles and division of responsibilities between the Force finance director and treasurer of the Authority, thereby removing any confusion that may result from current arrangements. These posts are critical to the objective of developing strong corporate governance arrangements within both the Force and Authority. HMI is pleased to see that relationships between key players in the Force and Authority are much improved since the AGM in June 2005. HMIC will examine the agreed protocols as part of the later assessment, mentioned above.

HMI considers that the revised protocol should also define the arrangements for deputising for the treasurer when absent to cover his statutory section 151 role. Normal practice in other authorities in such circumstances is that the role is discharged by the Force finance director. This practice is recommended generically by HMIC. Although HMI understands such a change is proposed, nonetheless he recommends that in the absence of the treasurer to the Authority, Section 151 responsibility should rest with the Force finance director.

RECOMMENDATION 6

Her Majesty's Inspector recommends that deputising arrangements for the Section 151 officer be defined within financial regulations, and be vested with the Force finance director in the absence of the treasurer to the Authority.

At present, the post of monitoring officer is vested in an officer who is line managed directly by the chief executive officer. The monitoring officer has provided evidence of independence in both the approach to the role and associated reporting arrangements, with direct access being available to the chair of the Authority when circumstances dictate. The Authority and Force are satisfied that reporting arrangements are suitable and robust.

HMI was pleased to receive confirmation that the Authority operates with a defined and published code of conduct for members and officers. Part of the code embraces the concept of 'whistle blowing' to allow for reporting of individuals where behaviour is believed to have fallen below acceptable standards. The approach of the Authority in such matters is to follow the policy adopted by the Force. At the time of the Inspection, it had been recognised that Force policy was out of date and required updating. HMI stresses the need to conduct this review quickly and comprehensively so that the revised policy can be adopted and publicised without delay.

F) Managing Resources and Risk

Historically, the Authority and Force have been weak in the key business area of medium-term financial planning (MTFP), with it not having been an integral part of financial management. Indeed, it was the failure to use and manage resources through effective MTFP, which resulted in the Police Authority's need to seek additional financial support from the Home Office.

Medium-term planning was introduced in a focused manner for 2005/06, and again for 2006/07. To some extent, its introduction was forced on the organisation with the need for the financial recovery plan, set against the budget deficit of £7.3m, together with the need for the Force and the Authority to be effectively sighted on longer term demands on the budget and precept. Additionally, the budget book, introduced by the Force and Authority in partnership in 2004/05, has been significantly improved upon for the 2005/06 budget round.

Budget seminars for members have been commenced and HMI was told that members are more informed about the medium-term financial implications, which supports their duty to set a precept and overall annual budget. Financial plans are now available to members. This is good practice and is acknowledged by members themselves.

Whilst the external auditor (Audit Commission) had previously expressed a view that financial plans produced over two years ago were not properly focused, HMI was pleased to note with the endorsement of the external auditor, that there had been improvements in the medium-term plan. The improvements have resulted in the Authority being more sighted on issues and what action has been required. Additionally, this has focused members' perspective on the implications of the budget deficit and the actions required within the framework of precept limits and capping.

Allied to this, there is a clear view from members themselves that effective processes are in place to ensure effective budget monitoring by the Force, with an improvement in the standard and transparency of budget outturn reports and general financial reporting to the Authority.

Members also wanted greater reassurance that the capital programme would be delivered within closer margins than hitherto. The 2004/05 programme that amounted to approximately £10m was underspent by £5.2m. As a result, an amount of approximately £5m was carried forward to the 2005/06 programme. Whilst some of this was not due to slippage (a significant sum was programmed for future expenditure for the Airwave project), the outturn report to the Police Authority on 30 June 2005 did state: "Project Managers will be expected to confirm that their scheme is deliverable within the financial year and can be achieved within the approved budget. The outcome of the review will be reported back to a future meeting".

Monitoring of the capital programme should therefore be one of the early priorities of the new finance overview panel, which should have greater capacity and time to monitor the programme in more detail than in previous years.

Her Majesty's Inspector **suggests**, as he has done with other forces/authorities, that the capital programme be divided between controllable and uncontrollable elements. That is, elements under current contract, those not yet subject to contract, e.g. awaiting purchase of land and expenditure to fall back on should material slippage occur.

The Police Authority was successful in obtaining an additional £6.3m of funding from the Home Office in late May 2005, the first tranche (£1m) of which has already been received, with a second tranche being due in the latter part of the current calendar year. This, assuming that Cleveland can demonstrate good financial management and that corporate governance is being maintained. The funding will be paid in instalments during the current financial year and the two succeeding ones. It is now critical that the Authority addresses its current dependence on additional funding. In particular, the Authority will need to use the medium-term financial plan, and the 2006/07 budget and precept setting process, to demonstrate a restored balanced financial position. This is essential to show it can survive without the additional funding.

Her Majesty's Inspector recommends that the Authority, through an update of its medium-term financial plan and budget/precept report for 2006/07, defines a financial strategy to ensure financial stability without further additional Home Office funding.

RECOMMENDATION 7

Her Majesty's Inspector recommends that the Authority, through an update of its medium-term financial plan and budget/precept report for 2006/07, defines a financial strategy to ensure financial stability without further additional Home Office funding.

The Force and Authority have attempted to produce a medium-term financial plan that is zero-based by producing a costed plan with options. Authority members were involved with this process, although there was an acknowledgement that this still required development and the links between the plan and the budget needed to be more 'explicit'. Currently, the plan does not take into account performance, which still needs to be linked. Her Majesty's Inspector therefore **suggests** that the Authority continues to develop the process to link long-term budget planning with the policing plan and Force performance.

HMI acknowledges that the Force has produced a good level of activity analysis data that has been submitted to the Home Office. He is of the view, however, that effective activity analysis and activity based costing (ABC) is unlikely to be achieved until the Force and Authority, working together, improve the way activity analysis is used in making corporate and local decisions. Also, that activity is mapped alongside performance and the wider use of resources. Forces throughout the country are at various stages of development with ABC, with some investing heavily in process development, whilst others have been more restricted. In Cleveland, officers and members interviewed acknowledge the need to develop ABC, to improve the quality of data and the need to use it meaningfully.

Allied to this slow development, the Inspection revealed a shortage of staff within the finance department of the Force to adequately address the issues of ABC. Over the past year, the level of resource management support has shown some marginal improvement especially within the Force finance department. However, the overall level of resources remains modest compared to other police forces. In some areas, such as procurement, HMIC has identified the need for appropriate professional staff for many years. The Chief Constable and Authority should ensure that appropriate professional standards and staffing are maintained.

As its development impacts on resources and performance, it should be a key element of scrutiny activity for both the finance and performance panels, with the modernisation panel also having an interest. It will also impact on the review of the allocation of resources between budget holders within the Force, and in maximising priorities and strategies set by the Authority.

In the short-term, the Force and Authority need to agree an action plan to fully develop ABC over the next two years. The results of the 2004/05 ABC survey should be reported to the Force management team and the Authority by the end of 2005.

RECOMMENDATION 8

Her Majesty's Inspector recommends that the Authority continues to develop activity analysis and activity based costing (ABC) over the next two years, of which staffing is a part, and that it is used to complement corporate and local decision-making.

HMI considers that the level of professional financial advice available to members has improved since the discovery of the budget deficit with, for example, a meeting taking place with all members every Tuesday evening before budget and precept setting. Such meetings complement budget

seminars that had not previously been available. This transformation reflects the appointment by the Force of well qualified staff within the finance function, but most especially the appointment of the assistant chief officer finance and commissioning.

The 'new' committee/panel structure should enhance the provision of professional financial advice. Under the 'old' cabinet structure, all reports were submitted to Authority meetings. This could have resulted in financial reports not receiving full attention by members due to time and capacity constraints at each meeting. The new finance overview panel should therefore provide the opportunity for increased scrutiny of financial management and strategy by members who have a specific interest or particular skills in finance related matters. The panel, as indicated, also not only needs to take account of revenue budget issues and medium-term financial planning, but also have a stronger grip of the capital programme.

Members now receive budget monitoring reports that previously were submitted to the Police Authority on a monthly basis. When the budget deficit was revealed, previous monitoring reports had not been submitted to members. Some members expressed therefore that they were not sighted when the deficit was revealed. At that time a relatively small number of members were involved in the decision-making processes relating to finance, whereas now members are better informed. HMI is encouraged that the chair of the finance panel is committed to ensuring that monthly monitoring reports are submitted at the earliest opportunity, taking into account the monthly reporting cycle within the Force.

Members were also of the view, based on the small number of panel meetings held to date, that the new structure should produce closer working relationships with the Force and therefore greater transparency and better information sharing. This was confirmed by HMI during the formal element of his Inspection in September 2005.

The modernisation panel also has, as part of its remit, issues relating to the use of the additional £6.3m funding from the Home Office. This will require close liaison with the finance panel to ensure good financial management and corporate governance arrangements are maintained. These additional resources are intended to provide short-term support and not be a substitute for effective medium-term financial planning.

G) Budgetary Controls

Whilst **budgets are generally primarily devolved to the Chief Constable**, the Authority has been concerned to maintain closer control following the emergence of the financial deficit. As a consequence, the Authority has maintained strict control over budget virements. Now effective control is established, and the Authority is better informed on financial management, normal arrangements for control over virements could be re-established. At present, the Force finance director is unable to vire even small amounts

without an initial report to the Authority. Any variations could be subject to information reporting as part of the planned monthly monitoring reports to the finance panel, unless these involve material change, in which case prior approval will be required by the Police Authority. The level of materiality will need to be agreed between the Force and Authority and defined in the revised financial regulations. The arrangements should reflect the Home Office Financial Code of Practice that states at Paragraph 7:

“The chief officer and officers and staff working for the chief officer should have as much day to day responsibility for financial management of the force as possible within the framework of the agreed budget and rules of virement. Only when significant changes of policy are envisaged or when significant sums are involved should the approval of the Authority be sought once more. The meaning of ‘significant’ should be defined in the financial regulations”.

HMI recognises that professional standards in the Force have increased. Throughout this difficult period, the Force has maintained its commitment to engage with the Authority and to participate in both benchmarking and service-wide professional forums. The Authority needs to ensure that arrangements in place provide adequate opportunity to be regularly represented by members and officers at appropriate national financial meetings, conferences and seminars. This will ensure that it is fully aware of the key financial developments in policing, e.g. the new police pension funding arrangements for 2006/07.

H) Audit Arrangements

The establishment of an audit committee has been a key recommendation that has emerged from the increased awareness of corporate governance over the past decade, (e.g. the Cadbury Committee on Corporate Governance).

The financial management code follows best corporate governance practice and requires a police authority to have an audit committee. Until November 2004, there had not been an audit committee within Cleveland. At that time an audit committee was formed that consisted of officer representation including the chief executive to the Police Authority, the Force finance director and representatives from both internal and external audit. However, there had only been one member present at these meetings who had previously been the lead member for finance. As noted above, to be in any way effective, a committee must have more than one member (and officers cannot be members of the committee). The committee should also have a balanced representation from the whole Authority, as advocated by Cadbury.

At the time of the formal Inspection by HMI, it became apparent that a new audit panel was to be established that would report through the finance

overview panel. However, the composition of the panel remained unaltered. Therefore the comments from the previous paragraph are reiterated.

HMI notes that the minutes of the previous audit panel had been submitted from time to time to the full Authority, but not on a regular basis. This left some members feeling that they were not fully sighted on audit issues. HMI is therefore pleased to acknowledge that under the 'new' panel arrangements members confirmed that this was now taking place.

Under the previous system, internal audit reports were to be submitted to the Police Authority on a regular basis. In the previous two years, this had only occurred once, in July 2004. Whilst accepting that reports had been submitted to the audit panel, HMI expects to see that reports are approved and finalised on a more frequent basis.

It was also noticed that whilst relevant reports had been submitted to the audit panel, there had been some delays in submitting internal audit reports to the Authority, although steps have been now taken to make necessary improvements.

During the course of the Inspection there was evidence that some reports from HMIC had not been formally reported to the Authority or a response sent to HMIC as required by statute. The chair has now provided a verbal assurance to HMI that the correct process will be followed for all future HMIC reports including this report.

Although HMI acknowledges the chair's intention to formulate a separate, properly constituted audit panel with a representative number of members, he nevertheless recommends that audit functions and reporting arrangements be implemented as a matter of urgency within a properly constituted committee.

RECOMMENDATION 9

Her Majesty's Inspector recommends that an audit function be established within a properly constituted committee of the Police Authority, containing a representative number of its members as a matter of urgency.

I) Risk Management

Risk management is recognised as a key corporate governance responsibility and process, which integrates the management of risk in respect of professional standards, internal and external audit, statutory officers' responsibilities and financial management, together with environmental scanning (e.g. new legislation, outcomes of litigation, etc).

Prior to the follow up pre-Inspection conducted by HMIC, little information was being reported to the Authority on risk management, with both the Authority and external auditor acknowledging that development and improvement were needed.

Revised processes in place have started to rectify this situation. A report entitled 'Draft Cleveland Police and Cleveland Police Authority Risk Management Strategy 2005-08' was submitted to the performance panel on 18 August 2005. The document details a methodology for taking forward the first phase of a corporate risk management programme that includes the establishment of working parties, each with an allocated Authority member to review different elements of risk.

The report details work required, objectives, specific tasks, individual's responsibilities and target dates, which set a framework for action. This is a positive step, although it clearly also indicates the large amount of work required to be undertaken. This is highlighted in the report by the work required by phase 1 of the risk management programme that splits strategy objectives into different work areas/elements, which need realistic target dates to be set and agreed. Once finalised, the Force risk manager intends to develop phase 2 of the programme in early 2007. Future HMIC reviews will assess if progress is being made.

Additionally, the strategy should specifically integrate wider risk management with, for example, professional standards, internal and external audits etc.

Within the process the Authority should specifically ensure that regular risk assessment is undertaken of its own functions. It should assess emerging issues, which potentially affect its capacity to deliver an effective service. This approach will enable the Authority to prioritise increasing workloads, take account of self-improvement activity and optimise opportunities to add value to its role.

HMI **suggests** that risk management arrangements be further progressed as part of the development of the risk assessment strategy.

J) Estate Management

Issues relating to estate management have in the past been reported directly to the Police Authority. This is again planned to change under restructuring, although it is currently unclear where the reporting functions will lie.

Some estate management issues are to be reported to the modernisation panel, although this has not been clearly articulated. In other police authorities, the normal model would be to report issues regarding a particular service to the corresponding authority committee that would be attended by the lead officer in the force responsible for the service. In the case of Cleveland, as with most other forces, estate management is the responsibility

of the director of finance and therefore it would be appropriate to report estate management through the finance panel. HMI has no desire to be prescriptive, but he **suggests** this matter requires clarification with some degree of priority.

As discussed earlier in the report, there is a need to ensure that a greater element of the capital programme is spent during the year, a large part of which directly relates to estates. In addition, there is a need to maintain a sharp focus on revenue expenditure, particularly the size of planned maintenance and its financial implications and liabilities. The Force and Authority has since stated that control over these elements is in place.

The Authority recognises that it must work more closely with the Force in developing the estate strategy and ensuring that it is delivered. The new structures should afford greater transparency within improving working relationships.

Currently, HMI has been informed there is only one member of staff in post within the estate and facilities service. The Authority and Force should reflect on whether this staffing level is sufficient to properly deliver an effective level of service or provide professional advice to the Force and Authority.

K) Procurement and Contracting

Any reports on the procurement service have in the past been submitted directly to the Authority. Within the new structures there is a lead member for procurement and vehicle fleet management, although he is not chair or vice-chair of any new panel. There is some uncertainty as to where issues relating to procurement would be reported under the new structure. Interviews later in the Inspection suggested that items pertaining to procurement could be reported to the modernisation panel. Again, in line with proposals made previously within this report, there would be logic in these areas reporting to the finance panel as the services are the responsibility of the Force finance director. As a corollary to this, the lead member for procurement should also sit on the finance panel.

The Police Authority, as part of its co-corporate governance responsibility, must ensure that its own procurement arrangements apply the same processes and standards it requires of the Force.

Collaboration is seen as a key part of the procurement agenda within policing and HMI encourages any such initiatives. In particular, the Police Authority should support the Force in fully engaging with the Home Office/APA/ACPO newly created National Centre of Excellence for Police Procurement.

A trawl of reports to the Authority showed that from January 2004 there had not been any strategy reports submitted to the Authority on procurement, although this had been rectified after the initial part of the pre-Inspection with a report submitted on 28 July 2005; this covers the period 2005/07. The same trawl of Authority reports however, revealed that during the period January

2004 to August 2005 no annual report on achievements and savings had been submitted. This does not comply with current good practice in line with the HMIC report 'What Price Policing' (1997). This was also recommended in the HMIC Best Value follow up report on procurement issued in April 2003. Any annual report to members should ensure they are informed about key strategic procurement issues, for example, e-procurement. Members interviewed were not aware of this issue. HMI **suggests** that such an annual report should be made to members with immediate effect.

At the time of the Inspection, external consultants had just completed a major review of the procurement service. The report was due to be submitted to the modernisation panel on 14 September 2005. It lists a series of procurement 'opportunities' that should be monitored by members to assess if they can be delivered. Also, additional posts for the Force procurement division recommended in previous HMIC reports have not been progressed. Given the current difficult budgetary position, this matter needs to be further considered and acted upon, assuming there is a submission and approval of a suitable business case.

Since the Inspection was concluded, the Home Secretary has announced a proposal to form strategic forces in England and Wales, and in response Cleveland Police and Authority have commenced activity to submit appropriate options. Nevertheless, HMI wishes to see the recommendations made within this report being progressed without delay.

8 Baseline Assessment

Following the completion of the 2004 Baseline Assessment on the finance and resources management function in Cleveland, the Force was scheduled for a follow up external audit/HMIC Inspection towards the end of 2005/06. The timing of this Inspection is dependent on the completion of the external auditor's annual audit letter for 2004/05, which is typically published in November/December of each year.

As part of discussions on the latest (2005) Baseline Assessment with the Authority and Force, it was agreed to re-grade finance and resources management to a 'Fair' on the basis of improvement made, and that the Authority fully commits to implementing the recommendations detailed in this Corporate Governance Inspection report. Continued special funding of the Police Authority under the three year special grant arrangement is also dependent on the outcome of the Corporate Governance Inspection.

The follow up inspection mentioned previously is now scheduled for February 2006 and will be undertaken by HMIC's finance and resources adviser on behalf of Her Majesty's Inspector. As part of that Inspection, particular attention will be given to the effectiveness of the implementation of the recommendations in this report.

9 Conclusion

Having been closely associated with both the Cleveland Police Force and Police Authority for a number of years, HMI is acutely aware and sensitive to the range of difficulties both organisations have faced over recent times.

The Lancet Inquiry, which itself lasted over six years, consumed effort and resources and had a negative effect of diverting attention from the application of cohesive and consistent corporate governance and performance.

In an effort to address unacceptable performance in some key policing areas, the then Chief Constable designed and commenced implementation of a major change programme. During its initial stages a new Chief Constable was appointed, and after due consideration and assessment reversed the changes.

In January 2004, as signs indicated that the Force and Authority were turning a corner, the significant financial deficit mentioned earlier was revealed. Urgent discussions, financial reporting and monitoring arrangements were quickly commenced and, despite the professional relationship between the Force and Authority declining, a revival plan was formulated. Vast efficiency savings were sought and a case presented to the Home Office for financial assistance to the sum of £6.3m. Conditional upon the advance of these funds was a requirement that the corporate governance arrangements being applied should be inspected by HMI. This represented a major shift because, for the first time, other than for the purposes of inspecting Best Value arrangements, a police authority was formally required by the Home Office to submit itself to close scrutiny by HMI.

Whilst this was ongoing, the initial national Baseline Assessment of all police forces in England and Wales was conducted in April 2004, and placed Cleveland Police bottom of the 43 forces in the country. As a result, the Force and Police Authority together were refocused on making service improvements and, with the aim of improving efficiency, set about examining functions across the Force. It should be noted that they have been successful to date in terms of improving performance in some key crime and business areas compared to performance in previous years. HMI considers this point to be important. He acknowledges the hard work and energy of the Force and Authority in this regard, and the dedication and commitment of staff, and the support of partners in delivering these improvements.

HMI has examined the current corporate governance arrangements and made recommendations and suggestions within this report. The impression gained by HMI in this Inspection is that Cleveland Police Authority and Force are now better configured both in structure and staffing to be able to effectively deliver on their core business. He is very pleased to report that the introduction of new structural arrangements and processes, together with the redefined roles and responsibilities they contain, could bring a renewed and more inclusive strategic focus to core business and provide the foundation for step change improvement in relationships and performance. Further, that the previously

strained and often fraught working relationships between the Force and Authority that existed prior to the AGM in June 2005, have already begun to be addressed principally through the open, positive and professional attitude being demonstrated.

HMI emphasises the importance of this approach being continued in light of the local and national strategic challenges facing the police service. He also stresses the importance of acknowledging tripartite arrangements and others' respective position in this respect. Much work still needs to be done, but he is convinced that the Authority and Force have the motivation, people and basic structure to deliver effective corporate governance and improved operational performance.

HMI wishes to thank the many agencies and individuals who have assisted himself and his team with the Inspection. Whilst they are numerous, he acknowledges the following specifically:

- the Chief Constable of Cleveland Police and his staff;
- the Chair of the Cleveland Police Authority, its members and officers;
- Baroness Henig of Lancaster, President of the APA;
- the staff of the Association of Police Authorities; and
- the Audit Commission.

HMI recognises that these arrangements have yet to produce tangible results, however, the Inspection findings and changes to working relationships he experienced during his visit to Cleveland convince him that major change will be delivered.

HMI therefore recommends to the Home Secretary that the additional monies granted under the special funding arrangements to the Cleveland Police Authority, and conditional upon the findings of this Inspection, should be approved.

10 Recommendations

1. RECOMMENDATION 1 - Her Majesty's Inspector recommends that Cleveland Police Authority formally reviews its decision-making structure (panel arrangements) within a timeframe agreed between himself and the Authority and make necessary amendments.
2. RECOMMENDATION 2 – Her Majesty's Inspector recommends that the Authority and Force should actively monitor, assess and prioritise emerging workloads and issues of 'Workstream three' to ensure that staff levels/skills remain appropriate and reflect the complexities of the work and depth of enquiry needed to produce actionable recommendations.
3. RECOMMENDATION 3 – Her Majesty's Inspector recommends that the Authority's modernisation panel effectively monitors outcome evaluation reports relating to Best Value reviews.
4. RECOMMENDATION 4 – Her Majesty's Inspector recommends that the Authority should undertake a Best Value review of its functions, within the emerging context of structural changes to policing services in the region. The review should build on the self-assessment work already commenced.
5. RECOMMENDATION 5 - Her Majesty's Inspector recommends that the intended performance development review process for Authority members should be progressed. Its development should encourage as far as possible, agreed minimum levels of engagement in Authority activities, personal development objectives, a competency based personal review process and the wider development of a performance framework for all members and staff.
6. RECOMMENDATION 6 - Her Majesty's Inspector recommends that deputising arrangements for the Section 151 officer be defined within financial regulations, and be vested with the Force finance director in the absence of the treasurer to the Authority.
7. RECOMMENDATION 7 - Her Majesty's Inspector recommends that the Authority, through an update of its medium-term financial plan and budget/precept report for 2006/07, defines a financial strategy to ensure financial stability without further additional Home Office funding.
8. RECOMMENDATION 8 - Her Majesty's Inspector recommends that the Authority continues to develop activity analysis and activity based costing (ABC) over the next two years, of which staffing is a part, and that it is used to complement corporate and local decision-making.
9. RECOMMENDATION 9 - Her Majesty's Inspector recommends that an audit function be established within a properly constituted committee of the Police Authority, containing a representative number of its members as a matter of urgency.

11 Suggestions

1. Her Majesty's Inspector suggests that the Authority increases its engagement with strategic partners and relevant councils to enhance awareness and understanding of its statutory role and the role and responsibilities of members, as well sharing with partners its strategic intentions. HMI considers that such an approach would add value to the status of the Authority and provide opportunities to assist in fulfilling its legal responsibilities in respect of community engagement. (Page 17)
2. The Authority has not participated in benchmarking data relevant to its own resources and budget. For example, the APA from time to time conducts benchmarking exercises of authority functions; the last national exercise undertaken was in 2002. Cleveland was one of only six police authorities of the 43 in England and Wales that did not provide data. Her Majesty's Inspector suggests that benchmarking should be undertaken proactively to establish the necessary remedial action on resources and budget. (Page 20)
3. Her Majesty's Inspector suggests, as he has done with other forces/authorities, that the capital programme be divided between controllable and uncontrollable elements. That is, elements under current contract, those not yet subject to contract, e.g. awaiting purchase of land together with a list of reserve projects, and expenditure to fall back on should material slippage occur. (Page 23)
4. Her Majesty's Inspector suggests that the Authority continues to develop the process to link long-term budget planning with the policing plan and Force performance. (Page 23)
5. Her Majesty's Inspector suggests that risk management arrangements be further progressed as part of the development of the risk assessment strategy. (Page 28)
6. Estate management is the responsibility of the director of finance and therefore there would be a case for reporting estate management through the finance panel. HMI has no desire to be prescriptive, but he does suggest this matter requires clarification with some degree of priority. (Page 28)
7. The provision of an annual report on procurement to members should ensure they are informed about key strategic procurement issues, for example, e-procurement. Members interviewed were not aware of this issue. HMI suggests that such an annual report should be made to members with immediate effect. (Page 30)

Hypotheses for inspection - Police Authority

Strategic Planning and Direction

- There is a clearly articulated vision for policing which is supported by communities and relevant stakeholders.
- The Police Authority (PA) has a robust strategic planning capability - and there is evidence of challenge influencing Force decision-making.
- Strategic plans and processes are integrated and driven by the PA in partnership with the Force.
- Consultation mechanisms are appropriate, wide-ranging and reach a cross section of the community.
- The PA is proactive in environmental scanning.
- The current decision-making structure is effectively managing PA business.
- There is common understanding and positive working relationships between tripartite members and partners.
- The PA is effectively monitoring and shaping leadership of the Force and PA – includes appointment of members of the ACPO team.
- The PA is developing an E-government strategy.

Performance Management

- The Force provides the PA with appropriate performance information which is sufficient for scrutiny and challenge and is used effectively for that purpose.
- The Force and PA have common performance indicators.
- PA monitoring structures operate efficiently and provide appropriate challenge and scrutiny.
- The PA scrutinises police performance in relation to key business areas of work including police reform, HR issues and health and safety.
- The PA monitors implementation of recommendations arising from HMIC, PSU and audit reports.
- Performance information is appropriately communicated to relevant stakeholders.
- The PA meets its requirements in respect of the Race Relations Act 2000.

Best Value

- BV reviews have been identified using an inclusive process and are designed to address strategic areas for improvement in accordance with requirements of the legislation.
- Members are fully engaged with BV and understand their legal requirements.

Community Engagement

- There is good external awareness of the PA and its role.
- The PA has a strong emphasis on citizen focus and user satisfaction.
- The PA has a clear and effective communications strategy and means of consulting with and involving the public, partners and local stakeholders.
- The PA demonstrates it is committed to effective collaboration with partner organisations, including CDRPs, LSPs, other authorities and forces.
- The PA can evidence it is striving to ensure staff and members are representative of the communities it serves.
- The PA actively supports and monitors the independent custody visitor scheme and demonstrates it is committed to its continued development.
- The PA is using ICT to improve accessibility and links with communities.

HR Management

- The role of chair, treasurer, clerk and monitoring officer are clearly defined and implemented. Roles are recognised and understood within the PA and by relevant staff within the Force and by appropriate stakeholders.
- PA staff and members have the skills and expertise to carry out their roles and have clear documented guidance on their specific PA roles and responsibilities.
- Training and development for members and PA officers is adequate and reflects needs. Positive action has been taken to identify and address skills gaps.
- PA human resource policies adequately cover PA member and staff recruitment, training and discipline matters.
- There is integration of members and the skills of independent members are fully utilised.
- The PA ensures the Force promotes equality and diversity and monitors Force performance in this area.
- Members are sufficiently aware of employment rights and diversity issues.
- The PA ensures the Force sets high standards of ethical behaviour and that complaints are dealt with appropriately both within the PA and in the Force.
- The PA's standards are clearly expressed in a code of conduct, which will meet the requirements of the Local Government Act 2000 (ethical behaviour).

Managing resources and risk

- Medium-term financial planning (MTFP) is comprehensive and an integral part of the strategic planning process of the Authority.
- MTFP is an integral part of the decision-making process for all new developments.
- Strategic planning and budgeting link resource planning with performance management, with members fully involved in aligning, at a strategic level, resources with priorities and performance targets.
- Arrangements are in place to deliver value for money (and Best Value).
- Members are provided with professional financial advice covering all aspects of policy and management and make effective use of this information.
- Members have sufficient training to be able to make full use of professional financial advice and ensure that they can fully exercise their financial and budgeting responsibilities.
- Structures are in place to allow members sufficient time to fully consider and absorb financial information and reports.
- A protocol is in place setting out the respective roles of the Force finance director and treasurer (Section 151 officer).
- Effective arrangements are in place to reflect the requirements of the CIPFA Guidance on the role of the Finance Officer in Local Government and the supplement relating to policing.
- Budgets are primarily devolved to the Chief Constable (see Financial Management Code of Practice).
- Members are provided with timely and accurate overall information to effectively manage resources.
- There are sufficient professional resources to deliver effective and efficient professional financial service to the Force and Authority and external stakeholders (e.g. audit).
- Professional financial skills of officers (Authority and Force) are kept up to date via CPD, etc.
- The Authority participates and uses benchmarking to evaluate its performance and use of resources.
- An audit committee (or similar) fully evaluates and monitors implementation of recommendations and reports from internal and external auditors and inspectors, and has oversight of strategic risk management.
- The Authority and Force receive professional advice on risk management.
- Corporate risk is regularly reviewed and risk registers are updated.
- An overall management process is in place (Authority and Force) for the effective management of risk which integrates professional standards, internal and external audit, statutory officer's responsibilities and financial management together with environmental scanning (e.g. new legislation, outcomes of litigation, etc).

- The Authority has in place appropriate arrangements to deter fraud and corruption and support 'whistle blowers'.
- The Authority receives professional advice on estate management and is effectively involved in the strategic management of the estate.
- The Authority receives professional advice on procurement and contracting and effectively discharges its oversight responsibility.

Hypotheses for inspection - Police

Strategic Planning and Direction

- There is a clearly articulated vision for policing which is supported by communities and relevant stakeholders.
- The Force has a robust strategic planning capability - and there is evidence of PA challenge influencing Force decision-making.
- Strategic plans and processes are driven by the PA in partnership with the Force.
- The portfolio structure of the chief officer team is effective in managing Force business.
- Effective succession planning processes are in place which assist, monitor and shape Force leadership.
- The Force and PA have common indicators and have created positive relationships.
- The Force is proactive in environmental scanning.

Performance Management

- The Force provides the PA with appropriate performance information which is sufficient for PA scrutiny and challenge.
- The Force and PA have common performance indicators.
- The Force has implemented integrated performance review and strategic planning processes, which are compatible with NIM, to monitor and review performance.
- Force support departments are held to account for their performance in relation to key business areas of work including police reform, HR issues and health and safety.
- There is evidence of implementation of recommendations arising from HMIC and audit reports.
- Performance information is appropriately communicated to relevant stakeholders.
- The Force meets requirements in respect of the Race Relations Act 2000.

Best Value

- BV reviews have been identified using an inclusive process and are designed to address strategic areas for improvement in accordance with requirement of legislation.
- The chief officer team is fully engaged with BV and supports the PA with the implementation of its responsibilities.

Community Engagement

- Consultation mechanisms are appropriate, wide ranging and reach a full cross-section of the community, including hard to reach groups.
- The Force has a strong emphasis on citizen focus and user satisfaction.
- The Force and chief officer team enjoy a good public profile.
- The Force has a clear and effective communications strategy and means of consulting with and involving the public, partners and local stakeholders.
- The Force demonstrates it is committed to effective collaboration with partner organisations, including CDRPs, LSPs, other authorities and forces.
- The Force can evidence it is striving to be representative of the communities it serves.
- The Force actively supports the PA's role in monitoring and supporting the independent custody visitor scheme.
- The Force is using ICT to improve accessibility and links with communities.

HR Management

- Staff have the skills and expertise to carry out their roles and have clearly documented descriptions of their specific roles and responsibilities.
- The roles and responsibilities of the chief officer team are clearly documented and understood by staff, the PA and relevant partners.
- Chief officer team/staff training and development is adequate and reflects needs.
- HR policies adequately cover Force recruitment, training and professional standards.

- Evidence shows the Force promotes equality and diversity and monitors performance in this area.
- Managers set high standards of ethical behaviour and complaints are dealt with in a timely manner and in accordance with agreed protocols.

Managing resources and risk

- Medium-term financial planning (MTFP) is comprehensive and an integral part of strategic planning across the Force.
- MTFP is an integral part of the decision-making process for all new developments.
- Strategic planning and budgeting link resource planning with performance management with the Chief Constable's management team (CMT), with officers fully involved in aligning, at a strategic level, resources with priorities and performance targets.
- Arrangements are in place to deliver value for money (and Best Value).
- The finance director is a full member of the CMT.
- CMT and budget holders are provided with professional financial advice covering all aspects of policy and management and make effective use of this information.
- Financial processes deliver the requirements of all external stakeholders (VAT, national insurance, audit, etc).
- Budget holders have sufficient training to be able to make full use of professional financial advice and ensure that they can fully exercise their financial and budgeting responsibilities.
- A protocol is in place setting out the respective roles of the Force finance director and treasurer (Section 151 officer).
- Effective arrangements are in place to reflect the requirements of the CIPFA Guidance on the role of the Finance Officer in Local Government and the supplement relating to policing.
- Budgets are primarily devolved to BCU commanders and heads of departments (see Financial Management Code of Practice).
- Budget holders are provided with timely and accurate overall information to effectively manage resources.
- There are sufficient professional resources to deliver an effective and efficient professional financial service to the Force and Authority and external stakeholders (e.g. audit).
- Professional financial skills of officers (Authority and Force) are kept up to date via CPD, etc.
- The Force participates and uses benchmarking to evaluate its performance and use of resources.
- Officers support the audit committee to fully evaluate and monitor the implementation of recommendations of audit and inspectors and strategic risk management.
- The Force has in place appropriate arrangements for the professional management of risk.
- Corporate risk is regularly reviewed and risk registers are updated.
- An overall management process is in place (Authority and Force) for the effective management of risk which integrates professional standards, internal and external audit, statutory officers and financial management with environmental scanning (e.g. new legislation, outcomes of litigation, etc).
- The Force has in place appropriate arrangements to deter fraud and corruption and support 'whistle blowers'.
- CMT receives professional advice on estate management and is effectively involved in the strategic management of the estate.
- CMT receives professional advice on procurement, including an annual report on procurement and contracting activities.

Agreed Terms of Reference for CPA Panels

Modernisation Panel

Objectives

1. To participate in creating a vision for the future policing needs of the Cleveland area.
2. To participate in deciding the direction and aims of Cleveland Police, ever mindful of the demands of national government.
3. To critically examine the operational/administrative support functions' structures and processes to assist the Authority and the Force to:
 - address the objectives set out in the Chief Constable's/Cleveland Police Authority's local policing plan and three year police strategy, and the operational strategy;
 - meet the objectives of the Police Authority relating to securing an efficient and effective police service, securing Best Value;
 - produce HR strategy and policies that are fully supportive of the modernisation strategies; and
 - embrace the developing Police Reform Agenda and the recommendations of the Gershon Report.

Tasks

This list is not exhaustive and may be reduced or added to as deemed necessary after consultation with panel members and chair of the Authority.

The panel shall:

1. Make recommendations to the Police Authority regarding the policing vision and the policing strategies for the Cleveland force.
2. Establish and commission work and reports from modernisation project teams.
3. Establish a Best Value steering group which shall lead and
4. Drive the BV process.
5. Monitor the implementation of action plans for the following:
 - Modernisation project teams;
 - Best Value reviews;
 - national initiatives that have a direct bearing on the modernisation agenda; and
 - reports from HMIC, Audit Commission, PSU and auditors that have a direct bearing on the modernisation agenda.

Finance Panel

Proposed Terms of Reference

Objectives

1. This panel will review the existing medium-term financial strategy and develop the existing annual capital strategy into a complimentary three year capital strategy. Budget monitoring reports will continue to be presented to the main Authority meeting.
2. It will also review and refine the Prudential Borrowing capacity of the Authority in line with the investment strategy and capital programme.
3. Another key area of work will mean that the panel will take over responsibility for the overview and implementation of audit.

Tasks

1. This list is not exhaustive and may be reduced or added to as deemed necessary after consultation with panel members and chair of the Authority.
2. To make recommendations to the Police Authority which will inform the decision-making process relating to finance.

3. Consider national issues relating to or impacting on financial management and integrity of the organisation.
4. Call for information from the Force and Authority officers to facilitate debate on financial issues at an early stage.
5. Commission/internal auditor reports replacing the existing audit group.
6. Request reports on funding available, expenditure priorities and ring-fenced funding.

Revenue funding

1. Examining the short-term, medium and long-term financial plans to make recommendations to the authority on progress against the plans and also to highlight issues for consideration in implementing the plans.
2. To consider good practice and how it impacts on the policies and procedures relating to the financial management and probity of the organisation.

Capital funding

1. To seek information on the capital programme and make recommendations to the authority on affordability of schemes, examine business cases and look at priorities.
2. To monitor the progress of capital schemes particularly in relation to timely delivery or slippage of individual schemes. Making recommendations relating to concerns on the delivery of the capital programme to the Police Authority. Highlighting any factors which may prevent the successful delivery of the programme.

Policies and procedures

1. Be informed regularly of proposed changes to any policies/procedures to enable the panel to influence and debate such changes.
2. As per the report of 30 June 2005 there are clear linkages between finance and modernisation panels, and the terms of reference will be reviewed in the next 6–12 months as the work of the finance panel comes to fruition.

“This Panel role and remit will include the existing modernisation process outlined in Workstreams 1-3, the wider workforce modernisation agenda including human resources/diversity and cultural issues. Furthermore Workstreams 1-3 include the Authority’s Best Value review projects and therefore a new steering group [BVSG] will be established to lead and drive the Best Value process – The BVSG will draw upon Members from other overview panels as appropriate, but will not have plenary powers. Members may wish to consider the linkages between the modernisation and finance overview panels and review terms of reference in the next 6-12 months as the work of the modernisation group comes to fruition – this includes the root and branch review/restructuring work and also the finalisation of the property, fleet and procurement reviews. This could potentially result in redefining the finance overview group as the finance, policy and resources overview panel”.

Performance/Service Improvement Panel

Proposed Terms of Reference

Objectives

1. To participate in deciding the direction and aims of Cleveland Police by consultation with the Chief Constable and stakeholders across the area served by the Authority ever mindful of the demands of national government.
2. To be involved in setting targets and agreeing measures to monitor progress towards the targets, and to participate in the compilation of the strategic plans.
3. To participate in performance meetings where progress towards objectives is discussed and to examine and comment on progress to ensure it meets the aims set out in the strategic plan.
4. To monitor and comment on progress towards national and local targets to ensure Cleveland Police is delivering the required level of service including compliance with the National Crime Recording System (NCRS).
5. To monitor and agree in-house standards relating to the uniformed and non-uniformed staff.

6. To ensure relevant employment legislation is satisfied and to promote best practice after consultation and benchmarking thus delivering Best Value across the workforce.
7. To participate in the decision processes to deliver value from contracts and arrangements within both staff and non-staff budget.

Tasks

This list is not exhaustive and may be reduced or added to as deemed necessary after consultation with panel members and chair of the Authority.

The Panel shall:

1. Monitor the performance of the Police Force and receive reports on:
 - Progress towards delivering the 2004-05 policing plan;
 - New initiatives aimed at service improvement including PSU engagements.
2. Monitor the implementation of action plans for the following:
 - Activity based costing;
 - National Intelligence Model;
 - National Crime Recording Standard audits and action plan;
 - National Standard for Incident Recording;
 - National Management Information Systems;
 - Quality of Service Commitment;
 - Stop and Search;
 - PSU engagements including Operation Delivery;
 - Baseline Assessment improvement plan;
 - Improvement plans following HMIC inspections and internal and external audits of performance (non-financial);
 - Progress against the Police Reform action plan;
 - DDA compliance.
3. Receive and agree efficiency plan proposals - agree targets, monitor performance and challenge any obstacles to efficiency.
4. Monitor HR related performance issues including:
 - Front line proportion;
 - VME recruitment;
 - VME resignations;
 - female recruitment;
 - police officer sickness; and
 - police staff sickness.
5. Receive annual reports on:
 - health and safety policy implementation, statutory inspection outcomes, risk assessments and safe systems of work;
 - the application of HR procedures for recruitment, grievance, discipline, poor performance, poor attendance and redundancy, checking on the robustness of policies and practices;
 - the application of the PDR/appraisal/training processes to ensure that relevant performance issues and a citizen focus approach are being addressed; and
 - overall performance.
6. Where appropriate, appoint representatives onto steering groups.
7. Be represented at NIM strategic tasking and co-ordinating meetings.
8. Receive reports from and engage with representatives of the Home Office, HMIC, the PSU and the Audit Commission on all matters relating to performance.
9. To examine all aspects of performance within:
 - the objectives set out in the Chief Constable's/Cleveland Police Authority's local policing plan and the three year police strategy and operational strategy;
 - the objectives of the Police Authority relating to securing an efficient and effective police service, securing Best Value and making arrangements for obtaining the views of people and the co-operation of local people in preventing crime;
 - the medium-term financial strategy;
 - the developing Police Reform Agenda and the recommendations of the Gershon Report; and
 - make recommendations to the Police Authority.

Community Safety Panel

Proposed Terms of Reference

Objectives

1. To promote the vision of Cleveland Police Authority.
2. 'Cleveland Police Authority supports the shared visions of the four local strategic partnerships covering the Hartlepool, Stockton, Middlesbrough and Redcar and Cleveland council areas. Above all, we want to make Cleveland a safer area for those who live, work and visit by reducing crime and by helping communities to feel more safe and confident in their homes and on our streets 24 hours a day seven days a week'.
3. Within the context of this vision, to critically examine, develop and review the objectives set out in the Chief Constable's/Cleveland Police Authority's local policing plan and the three year police strategy and operational strategy ensuring that they are informed and that they reflect the latest national guidance.

Tasks

This list is not exhaustive and may be reduced or added to as deemed necessary after consultation with panel members and chair of the Authority.

The panel shall:

1. Hold the Chief Executive and Chief Constable to account for the development of policy and strategy relating to community safety, which shall include the production of the three year strategy and annual local policing plan.
2. Develop and monitor the implementation of the Authority's and Force's consultation policies and strategies, receiving and responding to reports as appropriate.
3. Receive and make recommendations on all consultation documents relating to policy and strategy.
4. Be kept informed of all policy developments nationally.
5. Be kept informed of all policy developments locally in relation to those of the four CDRPs and our local strategic partners (LSPs).
6. Promote an outcome focused ethos both internally and externally, networking and communicating with the four CDRPs and our LSPs.
7. Areas of responsibility and accountability will include the following:
 - drugs strategy;
 - persistent and prolific offenders;
 - neighbourhood policing;
 - violent crime;
 - sexual assault referral centre;
 - arrest referrals – drugs and alcohol; and
 - community safety accreditation scheme.

Complaints Panel

Proposed Terms of Reference

Objectives

1. To ensure the Authority fulfils its role to secure an effective and efficient police service in respect of complaints.
2. To participate in deciding the direction and aims of Cleveland Police, ever mindful of the demands of national government.
3. To oversee the procedures for handling complaints against the police as they are applied locally. This includes considering the cause and instances of complaints, the response of the Force to them and wider links to general Force policy, style and management.
4. To monitor the management of direction and control of complaints (agreed at the Police Authority Executive on 30 June 2005, Police Reform Act 2002).
5. To monitor the management of civil claims.

Tasks

This list is not exhaustive and may be reduced or added to as deemed necessary after consultation with panel members and chair of the Authority.

1. Will need to be satisfied that the Force has in place appropriate processes, procedures and policies for the recording and handling of complaints in accordance with the provisions set out in the 1996 Act, the Police Reform Act and related regulations and Home Office guidance.
2. Will decide, on a risk assessment basis, the extent to which they need to probe and scrutinise the detailed policy, procedure and practice used within the Force.
3. Should understand Force policies and procedures for the recording and handling of complaints including those relating to direction and control.
4. Should ensure that the Chief Constable has in place robust procedures for senior managers to oversee and manage effectively the complaints process.
5. Will consider whether the Force is applying a proper distinction between complaints and conduct of officers, as opposed to issues relating to direction and control.
6. Will dip sample closed files, as part of the monitoring and oversight function. Lists will be provided to members prior to the meeting for them to select a sample of files which will then be made available to them in the closed part of the meeting. The purpose of this is not to re-examine the case but to ensure that complaints are routinely dealt with robustly and in accordance with policy.
7. Will consider the statistics relating to the number and type of complaints, by district and Force-wide, by type and the trends. Consideration should be given to any significant factors relating to age, ethnic origin or location of complaints.
8. Should look for evidence that the Force considers proactively the lessons that can be identified from an analysis of the causes of complaints which impact on wider Force policy and practice. It is recommended that members look at what the statistics say about the overall policing style and management within the Force.
9. May wish to consider the views of the other agencies such as Independent Police Complaints Commission (IPCC) and HMIC from time to time to ensure that they have an external perspective on the handling of complaints.

Standards Committee

Proposed Terms of Reference

1. Advising on the adoption of a local code which sets out the standards of conduct expected from members.
2. Promoting and maintaining high standards of conduct within the Authority through assistance, advice and training.
3. Monitoring the operation of the local code.
4. Hearing complaints against members referred for local resolution by the Standards Board for England.
5. Make recommendations to the Police Authority on the local scheme for members' allowances.