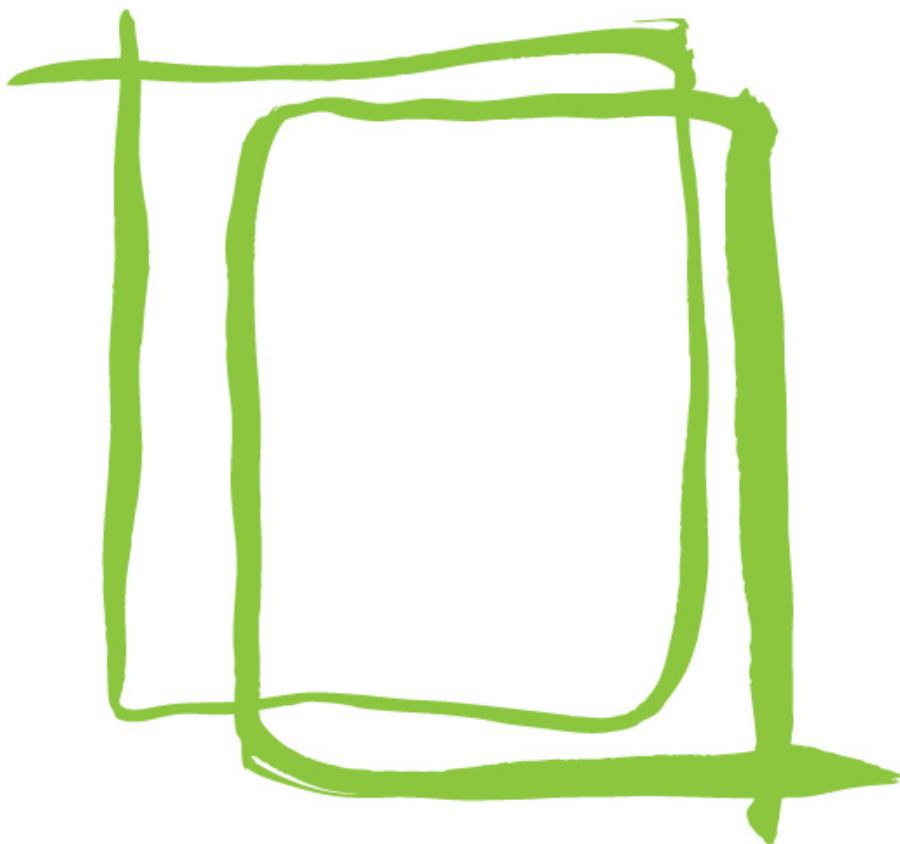


Police Use of Resources

Metropolitan Police Authority

Audit 2007/08

January 2009



Contents

Introduction	3
Approach and scoring	4
Joint working with HMIC	5
Main findings	6
Theme summaries	8
Status of the report and next steps	19
Appendix 1 – Action Plan	20

Status of our reports

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

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

Introduction

- 1 This report presents the results of the 2007/08 police use of resources assessment (PURE) at the Metropolitan Police Authority. As the Audit Commission's appointed auditor to the Authority, we undertook this review during the period April to September 2008 as part of our responsibility to examine the economy, efficiency and effectiveness of the Authority's use of resources under section 5(1)(e) of the Audit Commission Act 1998.
- 2 We have completed our review in accordance with the methodology and guidance issued by the Audit Commission (the Commission). The results have been subject to internal and national quality control arrangements, designed to ensure compliance with the methodology and guidance, and consistency.
- 3 This report summarises the approach taken and the results of the assessment. It also highlights areas for improvement based on the criteria issued by the Commission.

Approach and scoring

- 4 The PURE assessment requires auditors to form judgements on the police authority and force arrangements to secure effective use of resources across the following five themes.
 - Financial reporting.
 - Financial management.
 - Financial standing.
 - Internal control.
 - Value for money.
- 5 Each theme consists of key lines of enquiry (KLOE) and areas of audit focus. Auditors are required to make a judgement for each KLOE against a set of 'descriptors' or 'criteria'. Judgements are made using the Audit Commission's scoring scale, as follows.
 - 1 = Below minimum requirements – inadequate performance.
 - 2 = Only at minimum requirements – adequate performance.
 - 3 = Consistently above minimum requirements – performing well.
 - 4 = Well above minimum requirements – performing strongly.
- 6 The Commission will determine the overall use of resources score by combining the auditor's separate scores for each of the themes covered.
- 7 In forming our assessment, we take account of the methodology set out in the PURE guidance to auditors, and briefings to police authority treasurers and force finance directors issued between October 2007 and February 2008.
- 8 This is the third year auditors have undertaken PURE assessments. The key principle for the 2007/08 approach is a risk based and proportionate refresh of 2006/07 findings, with a focus on the following.
 - Key changes to the KLOE referred to in police authority guidance.
 - Actions by police authorities and forces to address improvement opportunities identified in the 2006/07 PURE assessment.
 - For scores of 3 and above, considering whether relevant arrangements are 'embedded' - they have been operating consistently with clear outputs and are having an impact.

Joint working with HMIC

- 9 In 2007 the Deputy Commissioner of the MPS invited HMIC to conduct an inspection of strategic resource leverage (SRL).
- 10 The inspection was conducted between April and June 2008 and built upon previous reviews of the MPA/MPS strategic resource management, in particular HMIC's review of Finance and Resources and certain themes of the Audit Commission's Police use of resources (PURE) assessment.
- 11 For this year's work, self assessments were prepared by the MPA/MPS against both HMIC and Audit Commission methodologies. The Audit Commission has worked with HMIC at the following stages during the planning and delivery of our work.
 - Initial planning and agreement of terms of reference and grading criteria.
 - Risk assessment and document review used to inform the scope of interviews with senior officers.
 - Sharing relevant information gathered as part of the assessment process.
 - Liaising regularly to discuss emerging findings and key strengths and weaknesses identified in the course of our work.
- 12 The HMIC will be issuing a final version of their report simultaneously with this report.

Main findings

- 13** The Metropolitan Police Authority (MPA) and Metropolitan Police Service (MPS) are assessed as achieving adequate performance (level 2) in the police use of resources assessment for 2007/08.
- 14** The scores for all five themes have been assessed as the same as for 2007, but our view is that, while the assessments are the same, the underlying direction of travel is positive and arrangements are generally stronger than a year ago. For the first time, no sub-theme was assessed as below minimum requirements.
- 15** For financial management, internal control and value for money, the Authority's performance remains at Level 2. It is clear that much work is being undertaken to strengthen arrangements within these themes, for example, within the areas of risk management and procurement. The new and revised procedures need to be embedded and delivering clear outcomes in order for a higher assessment to be achieved. This will inevitably take time and resources to achieve in such a large organisation as the MPA/MPS. The Authority's financial standing and arrangements for financial reporting remain at Level 3, indicating they are performing well.
- 16** The theme scores for the MPA/MPS are outlined in the table below, including comparators with last year. These scores have been confirmed by the Audit Commission's national quality control process which seeks to ensure consistency across all auditors.

Table 1 MPA/MPS - summary of use of resources scores by theme

Use of resources theme	2007/08 score	2006/07 score
Financial reporting	3	3
Financial management	2	2
Financial standing	3	3
Internal control	2	2
Value for money	2	2
Overall	2	2

Source: Audit Commission

Main findings

17 A detailed summary of findings made under each of the above themes can be found on pages 10 to 23 of this report, with improvement opportunities for officers to consider going forward. All key opportunities for improvement are summarised in an action plan at Appendix 1. These include:

- continuing to integrate business planning with financial planning and use this to drive the medium-term financial plan;
- integrating operational performance data with financial performance data in budget monitoring reports;
- providing regular financial training to members;
- keeping reserves under review particularly with respect to future financial risks;
- continuing to integrate and embed risk management with business and financial planning processes at both strategic and operational levels;
- improving the system of internal control, both centrally and throughout the BCUs;
- improving the understanding of the impact of external factors on costs and the cost difference between the MPS and most similar forces; and
- further integrating cost and performance information to highlight areas where costs appear high in relation to other organisations or the level of desired performance.

Actions for police authority members

18 The key actions for police authority members in ensuring a continued focus on effective use of resources are as follows.

- Encourage further integration of financial and business planning.
- Foster the development of integrated financial and operational performance information.
- Maintain effective scrutiny of the overall system of internal control.
- Review the MPA/S research to better understand costs and to benchmark these costs with similar organisations.

19 Members are also encouraged to consider the action plan at Appendix 1 for a complete list of improvement opportunities identified by this year's assessment.

Theme summaries

- 20** The key findings and conclusions for each of the five themes are summarised in the following tables. The text includes numerical references to 'KLOEs', which is designed to aid officers in identifying the specific aspects of the PURE methodology we are referring to when making comments.

Table 2 Financial reporting

Theme score – 3 (performing well)
Purpose
To assess the strength of the MPA and MPS's financial accounting and reporting arrangements.
Key findings and conclusions
<p>The MPA/S produced the annual accounts in accordance with relevant standards and timetables.</p> <p>The MPA's annual accounts were produced and approved on time. Changes to the accounts required by the 2007 SORP were applied correctly, with a capital adjustments account and revaluation reserve prepared in line with SORP requirements. Home Office guidance on pension lump sums issued in May 2008 was correctly interpreted and the draft accounts approved by full Authority contained the required accounting entries.</p> <p>The MPA/S continued to improve the quality of closedown processes and working papers provided for audit this year. Whilst there remains scope for further improvement in some areas, including fixed asset audit trails, no material errors were identified by audit this year, underlining the continued improvement in this area. Audit queries were responded to within agreed timescales and an unqualified opinion was given by the due deadline.</p> <p>The MPA/S promotes external accountability.</p> <p>The MPA/S publishes the annual accounts and other key reports and makes these available to stakeholders promptly. A variety of different media, including large print, audiotape and translated versions are available on request. The joint 2007/08 Annual Report includes useful information on the taken to reduce the MPA's/MPS's carbon footprint during the year. A joint Environmental Annual Report is also produced. This provides information on the Authority's and Force's environmental strategy, and the steps taken to meet environmental objectives during the year.</p>

Theme summaries

Theme score – 3 (performing well)	
<p>There remains scope to improve the quality and format of financial information in the annual report. In particular, the supporting narrative sets out the key issues considered as part of the business planning cycle (including the Met Modernisation Programme and the Olympics), but the impact of these on budgets or financial performance is not explained. Other aspects of financial performance, for example, key balances and outturns against budget at a subjective level, are not provided. Readers may find a glossary helpful when confronted with technical terms.</p> <p>Due to the timing of the annual report's publication, the financial data provided in the report is based on forecast outturns rather than the final audited accounts, reducing the level of comparability with the published accounts.</p>	
Improvement opportunities	
<p>KLOE 1.1 The authority produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p>Our 2007/08 Opinion Report to management will highlight areas where there is scope to further improve the accounts preparation process and will provide recommendations.</p>
<p>KLOE 1.2 The authority promotes external accountability.</p>	<p>Improve the quality of financial information provided in the Annual Report, for example by reporting on key balances, the impact on finances of major business developments and by explaining technical terms (R1).</p> <p>Ensure the Annual Audit Letter and key HMIC reports are readily available on the MPA web site (R2).</p>

Table 3 Financial management

Theme score – 2 (adequate performance)
Purpose
To assess how well the authority and force plan and manage its finances.
Key findings and conclusions
<p>The MPA/S maintains adequate arrangements for medium-term financial planning and capital programming.</p> <p>The MPS has a medium-term financial plan (MTFP) covering the next three years as set out in its Policing Plan 2008 to 2011 reflecting national and local improvement objectives and the planned efficiencies set out in the MPS's productivity strategy going forward (KLOE 2.1.1). However, the medium-term financial plan does not make reference to the additional budgetary pressures projected as a result of reductions in national police funding over the medium-term, nor the options the MPA/S have available to address the resultant budget gap. However, these matters have been reported to the Authority following the Home Office grant announcement in March 2008.</p> <p>An affordable capital programme exists, designed to help the MPS achieve its strategic objectives. The capital programme's funding implications are considered as part of revenue planning (KLOE 2.1.8).</p> <p>The MPS has taken action to improve the linkage between financial planning and business planning this year, in particular by bringing responsibility for both functions within the Directorate of Resources and increased input from commanders as part of business group planning. Whilst these developments are positive, it is too early to gauge their impact. The development of the MTFP remained a largely top-down exercise in 2007/08, with little evidence that the process was driven by service needs and priorities, particularly beyond the next 12 month budget cycle (KLOE 2.1.12 and 2.1.13). Operational activity indicators are not explicitly used to inform the budget-setting process (KLOE 2.1.16).</p> <p>There is regular consultation between the MPA, MPS and the Mayor and the GLA as part of the medium-term planning process. Engagement with other partners is increasing, particularly between BCUs and key partners within Local Area Agreements (LAAs). However, to date the views of local strategic partners have not been coherently captured within the MTFP (KLOE 2.1.17). Joint financial planning with partners is limited. While substantial efficiencies are being achieved within the MPS, the opportunities to deliver further benefits through closer working with partners, for example, by sharing costs, assets and other resources, remain to be fully explored or used to drive the MTFP (KLOE 2.1.20).</p>

Theme score – 2 (adequate performance)

The MPS carries out sensitivity analysis in some areas, notably in developing expected and worst case scenarios for the budget gap the MPS faces over the medium-term. Limited evidence was available that sensitivity analysis is used more widely as part of the medium-term planning process however. The MTFP does not make reference to different future financial scenarios (KLOE 2.1.17), nor what the implications of these different scenarios are for income and expenditure or key balances. Whilst the MTFP models revenue activity in detail it does not attempt to model balances (KLOE 2.1.20). The MPA/MPS have adequate arrangements for managing performance against budgets.

Overall budgetary control was effective in 2007/08 and an under-spend of £18 million (after transfers to earmarked reserves) was achieved. Some significant areas of overspend remain, in particular police overtime, with an overspend totalling £10.8 million reported to MPA Finance Committee for 2007/08. There is evidence that arrangements in place to manage and control overtime are becoming more effective, as evidenced by the decrease in the overspend when compared to previous years.

Budget monitoring reports, including those to members, contain supporting narrative designed to highlight areas of high risk and key cost drivers. Whilst this is good practice, this information is not complemented by operational activity indicators showing how changes in activity have affected costs (KLOEs 2.2.17 and 2.2.18). Budget monitoring reports to members present financial performance by business group and also by cost area (eg pay, overtime etc.) which is good practice. Reserves are reported to members periodically, treasury management every six months while other significant balances, for example, cash and creditor payment performance, are not reported to members (2.2.22). There is a regular financial training programme for non-finance staff, but similar training was not provided for members in 2007/08 (2.2.16).

The MPA/MPS have adequate arrangements for managing its asset base.

An up to date capital strategy is in place, with clearly defined leadership responsibility for asset management amongst senior staff. There are examples of improved efficiencies in asset management at business group level, in particular in Central Operations where a rationalisation of the group's asset base is underway and is expected to generate significant savings. However, this approach has not yet been shared across the wider organisation, and premises costs overall remain considerably higher when compared with the MPS's most similar forces.

Work to capture and use data on efficiency, effectiveness, asset value and running costs is at an early stage and is not currently used to support decision making on investment and disinvestment in property (KLOE 2.3.14). The MPA/S has calculated the total value of its backlog maintenance but does not have a clear plan in place as to how this will be addressed (KLOE 2.3.12). Whilst option appraisal is used in the development of business cases, the MPA/S does not make investment and disposal decisions based on whole life costing (KLOE 2.3.15). Collaborative asset management with partners is not being used as a means to achieve better value for money (2.3.18). The MPS does not have performance data designed to evaluate how the asset base contributes to policing objectives is not currently used (KLOE 2.3.20).

Theme score – 2 (adequate performance)	
Improvement opportunities	
<p>KLOE 2.1 The MPA/S' medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.</p>	<ul style="list-style-type: none"> ● Continue to integrate business planning with financial planning and provide evidence to show how this is used to drive the MTFP (R3). ● Develop the use of key operational activity indicators to inform the budget-setting process (R4). ● Consult with Local Strategic Plan partners at both strategic and operational levels in the development of the MTFP (R5). ● Maximise opportunities for efficiency and income generation through joint financial planning with partners and use this to drive the MTFP (R6). ● Develop the use of sensitivity analysis to model the impact of different scenarios on income, expenditure and key balances in the MTFP (R7).
<p>KLOE 2.2 The MPA/S manage performance against budgets.</p>	<ul style="list-style-type: none"> ● Integrate operational performance data with financial performance data in budget monitoring reports (R8). ● Provide regular financial training for members (R9).
<p>KLOE 2.3 The MPA/S manage their asset base (including their estate and vehicle fleet) and their IM&T service.</p>	<ul style="list-style-type: none"> ● Use data on efficiency, effectiveness, asset value and running costs to support decision making on investment and disinvestment in property (R10). ● Develop a clear plan identifying backlog maintenance and how this will be addressed (R11). ● Use performance data to evaluate how the asset base contributes to policing objectives (R12).

Table 4 Financial standing

Theme score – 3 (performing well)	
Purpose	
To assess how well the MPA/S safeguards its financial standing.	
Key findings and conclusions	
<p>The MPA/MPS has good arrangements for safeguarding its financial standing. The budget was achieved in 2007/08 and general reserves slightly exceed the target set and approved by members as set out in the reserves policy (general and emergencies contingent fund totalled £70 million at 31 March 2008 per the unaudited 2007/08 accounts). Substantial earmarked reserves exist for projects that are linked to the MPA/S' corporate objectives and service priorities (£147 million). Members approve the reserves policy annually. Where reserves exceed the level stipulated by policy the opportunity costs of maintaining reserves above the approved level should be kept under review (KLOE 3.1.12). Whilst members set targets for revenue and reserves, they do not receive other financial health indicators to allow them to scrutinise and set targets for the organisation's wider financial health.</p> <p>Given the potential threats to the MPA/S future financial standing, this aspect must continue to be clearly reported to members and reviewed regularly to ensure reserves remain at an appropriate level.</p>	
Improvement opportunities	
<p>KLOE 3.1 The authority manages its spending within the available resources.</p>	<ul style="list-style-type: none"> • Keep reserves under review particularly with respect to future financial risks (R13). • Provide members with financial health indicators to allow them to scrutinise and set targets for the organisation's wider financial health (R14).

Table 5 Internal control

Theme score – 2 (adequate performance)
Purpose
To assess how well the authority's and force's internal control environment enables them to manage their significant business risks.
Key findings and conclusions
<p>The MPA/S has adequate arrangements for managing business risks.</p> <p>The MPS brought responsibility for risk management within the Directorate of Resources during 2007/08 with the aim of strengthening and better integrating it with the management and decision-making processes of the wider organisation. Good progress has been made in some areas, particularly in the development of the corporate risk register which is informed by an assessment of strategic risks in addition to risks identified and escalated from operational registers (KLOE 4.1.3). However, as is to be expected, it will take time and considerable work to embed risk management throughout the organisation's activities and decision-making processes, particularly at an operational level (KLOEs 4.1.3 and 4.1.6).</p> <p>Not all partnership risks are being identified, assessed and reported in a consistent way across the organisation (KLOE 4.1.7), although guidance has been devised to develop this area. Member training was delivered in March 2008 (KLOE 4.1.9).</p> <p>Arrangements for maintaining a sound system of internal control are adequate.</p> <p>Internal audit is an effective unit and carries out an extensive programme of risk-based work across the MPA/S (KLOE 4.2.6). The authority and force have responded well to the new requirements of the Annual Governance Statement (AGS), with a draft AGS produced in accordance with CIPFA requirements at an early stage (KLOE 4.2.2). Standing orders and a scheme of delegation are in place but the challenge of ensuring compliance remains (KLOE 4.2.8).</p> <p>The key responsibility for ensuring a sound system of internal control lies with management. Improvements have been made to controls over key financial accounting processes, notably the bank and payroll reconciliations, which were performed regularly during the year (KLOE 4.2.12).</p> <p>On a wider level the work of the Director of Internal Audit continues to report significant instances of non-compliance with basic financial regulations, for example at BCU level, where financial controls remain generally weak and in need of improvement (4.2.12).</p> <p>A large scale investigation is currently underway into the use of credit cards by police officers and staff has highlighted the ineffective application of basic controls over expenditure incurred in this way and the existence of non-compliant working practices which have existed for a number of years (KLOE 4.2.17). Considerable resources of officer and auditor time have been directed at reviewing expenditure and recouping sums from officers.</p>

Theme score – 2 (adequate performance)	
<p>The development of a revised procurement code of practice is a positive step in improving the compliance culture. Work is also underway to develop an updated scheme of delegation, although this was still in progress at the date of our review. The MPA/MPS must ensure that the lessons from the Transforming HR competitive dialogue process are incorporated in future large-scale procurement exercises.</p> <p>Overall, while there are strengths in some areas, the overall arrangements to promote and ensure probity and propriety in the conduct of business are adequate.</p> <p>The MPA/S have a robust anti-fraud and corruption strategy and adequate resources are available to undertake both proactive and reactive counter-fraud work (4.3.16). The MPA has responded well to the 2007 NFI data-matching exercise and reports progress on reviewing NFI matches to Corporate Governance Committee on a quarterly basis (KLOE 4.3.19). Where control weaknesses are identified, action is taken to strengthen arrangements, as evidenced by the current work to strengthen the corporate credit card system (KLOE 4.3.20). The Authority has a Standards Committee responsible for looking at members' conduct, although it currently meets infrequently with only one meeting held in 2007/08 (KLOE 4.3.5).</p> <p>Arrangements for ensuring that members and staff are aware of the need to disclose hospitality and interests are of variable quality across the MPS, with particular weaknesses noted at BCU level and a low incidence of declarations made in the registers selected for review (4.3.14). There remains scope to better publicise whistle-blowing arrangements within the MPA/S, although a facility to allow staff to report suspicions on-line has been developed during 2007/08, which is a positive step (4.3.17).</p>	
Improvement opportunities	
<p>KLOE 4.1 The authority and force manage their significant business risks.</p>	<ul style="list-style-type: none"> • Continue to integrate and embed risk management more comprehensively with business and financial planning processes at both strategic and operational levels (R15). • Identify, record and monitor specific risks and assurances arising from significant partnership arrangements (R16).
<p>KLOE 4.2 The authority and force have arrangements in place to maintain a sound system of internal control.</p>	<ul style="list-style-type: none"> • Further improve the system of internal control, both corporately and at BCU level (R17). • Embed the scheme of delegation so that, in particular, financial delegations are clearly defined (R18). • Improve compliance with standing orders and take appropriate action where breaches are identified (R19).

Theme score – 2 (adequate performance)	
<p>KLOE 4.3 The authority and force have arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</p>	<ul style="list-style-type: none"> • Review the content and regularity of Standard Committee meetings to ensure it is appropriate (R20). • Raise awareness of the need for members and staff to declare hospitality and interests and monitor the declarations made on a regular basis (R21). • Better publicise whistle-blowing arrangements within the authority and force (R22).

Table 6 Value for money

Theme score – 2 (adequate performance)
<p>Purpose</p> <p>To assess the achievement of value for money within the authority and force and to conclude on the robustness of arrangements to secure improvements.</p>
<p>Key findings and conclusions</p> <p>The MPA/S has adequate arrangements to achieve value for money and secure improvements.</p> <p>MPA/S costs are high when compared to most similar forces (MSF), as is evidenced in the HMIC’s recent report on Strategic Resource Leverage. Costs are above average in many areas for example staff, premises, supplies and services and transport. High costs continue to be balanced against performance improvement as measured by a number of assessment criteria, including the Home Office’s Police Performance Assessment Framework (PPAF). Significant achievements include the implementation of neighbourhood policing through the introduction of Safer Neighbourhood Teams (SNTs) across London and crime reduction with recorded offences falling to the lowest annual levels since 1998/99. However there are areas where performance remains fair and requires further improvement, for example in protecting vulnerable people and improving customer satisfaction levels.</p> <p>Specific external and contextual factors impact on costs. The MPS is the largest police force in the country dealing with national, international and capital city functions. Some work is being carried out to understand how these factors impact on costs and the cost differences between MPS and other forces. Following a high level overview of cost comparisons in 2007/08, more detailed work is now being carried out comparing transport and property services costs with other forces. Detailed work is also ongoing to examine NICC activities which aims to provide a clearer indication of what services are being provided in this area and to develop a more objective assessment of the associated costs. However, at this time the impact of external and contextual factors on costs, and therefore the reasonableness or otherwise of those costs relative to similar forces and other similar organisations, is not fully understood.</p>

Theme score – 2 (adequate performance)

The MPA/S's arrangements for managing and improving value for money are adequate.

An efficiency plan is in place and the MPS are delivering against Home Office requirements for cashable and non-cashable savings. Efficiency targets have been achieved or exceeded for a number of years, with £58 million achieved in 2007/08. The MPA and MPS have clear structures in place to monitor and review value for money (VFM). The Productivity Strategy Board has a work programme in place delivering projects and programmes at corporate and business group level. There has been continued work towards embedding a VFM culture and raising the profile of VFM across the service through the rationalisation of improvement programmes and governance structures. Various improvement programmes will be integrated into one Service Improvement Programme (SIP) which will form a key element of the business and financial planning framework. It is, however, too early to assess the impact of these new arrangements.

There are processes in place to monitor benefits from corporate projects and these are being reviewed as part of the development of the SIP. Work is being carried out to develop clearly defined benefits that are robust and measurable for all projects. Some benefits have been delivered in 2007/08, for example, the phase 1 Met Modernisation Projects (MMP) including SNTs, Together and the Met Intelligence Bureau.

There is some indication that cost and performance information is being brought together, for example through joint finance and performance committees and within Territorial Policing. However, to date this is not done consistently or routinely across the organisation. Links between costs and performance are not yet fully understood at either corporate or borough level.

Some comparative cost and performance information is available. For example, the performance reports presented to Planning Performance and Review Committee (PPRC) include MSF comparator information and some work has been done to look at how costs compare to MSFs as described above. The MPA/MPS recognise that cost comparisons with other forces or relevant public or private sector bodies will help to understand where opportunities for improving resource use and productivity exist. However, work in this area to date has been limited and it remains unclear as to why the MPS is substantially more expensive than other forces in a number of key areas.

There is some understanding of long term costs and benefits and the MPA/MPS are proactive in terms of assessing environmental costs and taking these into account in decision making. Achievements include increasing the use of hybrid vehicles by SNTs which generate less emissions and noise than petrol powered vehicles.

Theme score – 2 (adequate performance)	
Improvement opportunities	
<p>KLOE 5.1 The authority and force currently achieves good value for money.</p>	<ul style="list-style-type: none"> • Continue to seek to identify high costs areas to drive down overall and specific service costs (R23). • Continue to develop a fuller understanding of the impact of external factors on costs and the cost difference between the MPS and most similar forces (R24).
<p>KLOE 5.2 The authority and force manage and improve value for money.</p>	<ul style="list-style-type: none"> • Assess the effectiveness of the new structures in embedding the VFM culture and improving VFM by ensuring that benefits and efficiencies arising from them are transparently recorded and reused (R25). • Further integrate cost and performance information to highlight areas where costs appear high in relation to other organisations or the level of desired performance (R26). • Develop the use of comparative information and benchmarking to inform resource allocation decisions (R27).

Status of the report and next steps

- 21** A draft report was issued to officers of the MPA and MPS for discussion in July 2008. An updated feedback report will be issued in October 2008 following the audit of the financial statements and completion of the financial reporting key line of enquiry. Finally, the scores, key messages and improvement opportunities reported here will be summarised in the 2007/08 Annual Audit Letter in November 2008.

Appendix 1 – Action Plan

Page no.	Recommendation	Priority	Cost Implications (£)	Responsibility	Agreed	Comments	Date
Financial reporting							
9	R1 Improve the quality of financial information provided in the Annual Report, for example by reporting on key balances, the impact on finances of major business developments and by explaining technical terms.	Medium	TBA	Director of Finance Services	Y	Agreed – financial information in the Annual Report will be improved accordingly in the 2008/09 report	February 2009
9	R2 Ensure the Annual Audit Letter and key HMIC reports are readily available on the MPA web site.	Low	TBA	Treasurer	Y	Agreed – HMIC reports are now available via a link on the MPA web site. Annual Audit letters will also be made available on the web site following approval at the relevant Corporate Governance Committee. These will also be added to the MPS Publication Scheme which will ensure they are also available via the MPS website	December 2008

Appendix 1 – Action Plan

Page no.	Recommendation	Priority	Cost Implications (£)	Responsibility	Agreed	Comments	Date
Financial management							
12	R3 Continue to integrate business planning with financial planning and use this to drive the MTFP.	High	TBA	Director of Strategy and Improvement/ Director of Finance Services	Y	Creation of S&I Department within Resources Directorate has brought planning and budget under one Management Board lead. Weekly budgetary/planning meetings in the MPS are in place involving colleagues from Finance and Strategy and Improvement. 2009 to 2012 process has resulted in improved integration of draft Policing Plan and Budget as presented to the Authority.	Complete
12	R4 Develop the use of key operational activity indicators to inform the budget-setting process.	High	TBA	Director of Business Performance/ Director of Finance Services	Y	Key operational activity indicators are part of the business group template corporate objectives and will be in place in the business plan 2009/10 and will start measuring against them from April 2009.	April 2009
12	R5 Consult with Local Strategic Plan partners at both strategic and operational levels in the development of the MTFP.	Medium	TBA	Director of Business Performance/ Director of Finance Services	Y	Development of a Partnership Toolkit as part of the DRM Programme will assist managers in consulting with partners in a more consistent manner.	Ongoing

Page no.	Recommendation	Priority	Cost Implications (£)	Responsibility	Agreed	Comments	Date
12	R6 Maximise opportunities for efficiency and income generation through joint financial planning with partners and use this to drive the MTFP.	Medium	TBA	Director of Finance Services	Y	In terms of efficiency, there are a number of initiatives taking place. For example, the members of the GLA family are currently considering sharing IT platforms and joint procurement as part of the 'delivering more together' programme. This could provide efficiencies and cashable savings in the future. Also, the MPS is part of the South East regional efficiency group. This group shares best practice and provides a forum for the MPS to increase the number of initiatives it undertakes to generate efficiencies. The 2009 to 2012 budget includes new net savings of £12.5 million from income generation initiatives subject to negotiation with partners. There continues to be some risk from this strategy which will continue to be monitored.	Ongoing
12	R7 Develop the use of sensitivity analysis to model the impact of different scenarios on income, expenditure and key balances in the MTFP.	Medium	TBA	Director of Finance Services	Y	A number of different scenarios are modeled within the MTFP process. For example, scenarios are modeled that focus on the impact of reductions/increases in grant and precept and what savings or growth could be found in those circumstances. Also, the police officer deployment plan is modeled to establish the impact of including different vacancy rates in the plan and the subsequent effect on cost. The impact of varying rates of pay and non-pay inflation is also modeled to ensure that there is sufficient resilience built into the overall budget.	Ongoing
12	R8 Integrate operational performance data with financial performance data in budget monitoring reports.	High	TBA	Director of Finance Services/Director of Business Performance	Y	The 2009 to 2012 Policing Plan and budget has integrated financial resources and operational targets and will form the basis of monitoring performance from April 2009.	April 09

Appendix 1 – Action Plan

Page no.	Recommendation	Priority	Cost Implications (£)	Responsibility	Agreed	Comments	Date
12	R9 Provide regular financial training for members.	High	TBA	Treasurer	Y	Agreed. Financial training for members is currently being developed as part of the programme of strategic briefings for members.	March 2009
12	R10 Use data on efficiency, effectiveness, asset value and running costs to support decision making on investment and disinvestment in property.	Medium	TBA	Director of Property Services	Y	Asset Mgt plans which underpin the Estate Strategy are developed from sources of information including business group requirements, asset valuations, condition of asset and running costs. All properties are then recorded as potential disposals, medium or long-term hold. This information is then used to develop the planned maintenance and investment programmes along side future investment programmes.	Complete
12	R11 Develop a clear plan identifying backlog maintenance and how this will be addressed.	Medium	TBA	Director of Property Services	Y	A list is prepared each year, which provides property maintenance status. Work is prioritised based on staffing compliance, H&S, Security, environment and a plan is produced to cover these arrangements with any under spend being used to cover non-essential work. This method is currently the subject of review within PSD and a paper is due to Management Board and the MPA in the next six months, which will take into account the output of the MPA asset strategy review.	Complete
12	R12 Use performance data to evaluate how the asset base contributes to policing objectives.	Medium	TBA	Director of Business Performance/ Director of Finance Services	Y	Performance framework being developed which will include the consideration of cost and performance data.	Ongoing

Page no.	Recommendation	Priority	Cost Implications (£)	Responsibility	Agreed	Comments	Date
Financial standing							
13	R13 Keep reserves under review particularly with respect to future financial risks.	High	TBA	Director of Finance Services and Treasurer	Y	The level of reserves is kept under constant review. Regular reports are provided to the Authority on the adequacy and appropriateness of reserves and the business planning process includes an analysis of reserves over the medium term.	Ongoing reviews
13	R14 Provide members with financial health indicators to allow them to scrutinise and set targets for the organisation's wider financial health.	Medium	TBA	Director of Finance Services	Y	Members are currently provided with a number of key indicators of financial health such as monthly revenue and capital forecasts, efficiency plan monitoring reports, medium-term budget reports, reports relating to the organisation's reserve position and reports detailing the organisation's treasury management and investment strategies.	On-going – monthly
Internal control							
15	R15 Continue to integrate and embed risk management more comprehensively with business and financial planning processes at both strategic and operational levels.	High	TBA	Director of Business Performance	Y	This is a core responsibility of the Corporate Risk Manager. Risk Management has recently been integrated into the S&I Business Performance team within Resources Directorate to drive this issue forward.	Started - Ongoing work
15	R16 Identify, record and monitor specific risks and assurances arising from significant partnership arrangements.	Medium	TBA	Director of Business Performance/ Director of Finance Services	Y	The DRM Partnership Workstream will be addressing this issue. The workstream is currently in its scoping phase.	Ongoing

Appendix 1 – Action Plan

Page no.	Recommendation	Priority	Cost Implications (£)	Responsibility	Agreed	Comments	Date
15	R17 Further improve the system of internal control, both corporately and at BCU level.	High	TBA	Director of Finance Services	Y	The DRM Programme will be addressing systems of internal control via the following workstreams; Contract Compliance and Management (CCM), Purchase to Pay (P2P), Scheme of Delegation (SoD), Corporate Decision Making (CDM), Partnership and Strategic Procurement. An audit and Inspection Strategy has been agreed to help the Service learn from this activity and an assurance and control unit is being established to provide assistance to business groups.	The DRM programme has been launched – ongoing
15	R18 Embed the scheme of delegation so that, in particular, financial delegations are clearly defined.	High	TBA	Director of Finance Services/ Director of Business Performance	Y	The Interim Solution for the Scheme of Delegation was implemented at the beginning of October 2008, with the Full Solution to go live in Q2 2009. This links to the compliance aspects of CCM, P2P and CDM.	Q2 2009
15	R19 Improve compliance with standing orders and take appropriate action where breaches are identified.	High	TBA	Director of Strategy and Improvement	Y	The implementation of SoD will assist with compliance with standing orders. The developing Corporate Governance Framework and the DRM programme will support improvements in this area.	Q2 2009
16	R20 Review the content and regularity of Standards Committee meetings to ensure it is appropriate for the scale of activity being handled.	Medium	TBA	MPA Head of Corporate Secretariat	Y	Agreed – The Standards Committee is now responsible for considering public complaints it is therefore anticipated that the Committee will meet more regularly in the future.	March 2009

Page no.	Recommendation	Priority	Cost Implications (£)	Responsibility	Agreed	Comments	Date
16	R21 Raise awareness of the need for members and staff to declare hospitality and interests and monitor the declarations made on a regular basis.	High	TBA	Head of Pay and Benefits	Y	MPS Policy and processes are under review. A report to the Management Board is due shortly.	Report Decemebr 2009
16	R22 Better publicise whistle-blowing arrangements within the authority and force.	Medium	TBA	Director of Finance Services and MPA	Y	The MPS has recently launched the On-line 'Right Line'. The new system compliments existing ways to openly report alleged misconduct through line managers or the dedicated DPS Customer Service Team. MPA/MPS working with the Audit Commission on implementing a Fraud	Complete
Value for money							
18	R23 Continue to seek to identify high costs areas to drive down overall and specific service costs.	High	TBA	Director of Business Performance/ Director of Finance Services	Y	This remains a key objective, reflected in work behind the developing performance management framework. A report on cost comparisons with MSFs considered by Performance Board in September 2008. 2009 to 2012 budget reductions focus on support services and corporate provisions.	Ongoing

Appendix 1 – Action Plan

Page no.	Recommendation	Priority	Cost Implications (£)	Responsibility	Agreed	Comments	Date
18	R24 Continue to develop a fuller understanding of the impact of external factors on costs and the cost difference between the MPS and most similar forces.	High	TBA	Director of Finance Services/Director of Business Performance	Y	In terms of the impact of external factors on costs, the MPS assesses this in a number of ways. For example, the 2009/10 to 2011/12 MTFP process considered the impact of varying levels of pay and non-pay inflation given current economic conditions and an appropriate allowance was made within the plan. A report was produced recently by Finance Services in response to the HMIC's '2008/09 Comparative Analysis' which was considered by September's Performance Board. This report analysed cost differentials between the MPS and its MSF and explained the reasons for the differences and suggested potential action to be taken. Further work on this area will be developed by Finance Services and S&I.	Ongoing
18	R25 Assess the effectiveness of the new structures in embedding the VFM culture and improving VFM by ensuring that benefits and efficiencies arising from them are transparently recorded and reused.	Medium	TBA	Director of Business Performance/ Director of Finance Services	Y	All projects and programmes will be subject to the new benefits tracking system that will be trialled within the organisation in Q4 '2008 to 2009. Financial implications of approved business cases are now reflected in future budget proposals.	Q4 2008 to 2009
18	R26 Further integrate cost and performance information to highlight areas where costs appear high in relation to other organisations or the level of desired performance.	High	TBA	Director of Finance Services/Director of Business Performance	Y	The MPS currently undertakes a thorough analysis of its costs compared to those of its most similar forces (MSF). A report providing details of the results of this analysis has.	Complete – ongoing

Page no.	Recommendation	Priority	Cost Implications (£)	Responsibility	Agreed	Comments	Date
18	R27 Develop the use of comparative information and benchmarking to inform resource allocation decisions.	High	TBA	Director of Finance Services/ Director of Business Performance	Y	The MPS has recently developed a service improvement plan (SIP) that will facilitate the appropriate allocation of resources in the future. Within the SIP is a programme named 'Developing Resource Management' which will consider a number of issues such as strategic procurement plans. The developing performance management framework will involve the use of benchmarking.	Ongoing

The Audit Commission

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

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

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

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2009

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212, Fax: 0844 798 2945, Textphone (minicom): 0844 798 2946

www.audit-commission.gov.uk
