

## Cumbria Police Authority

**23 March 2010**  
**Agenda Item No 8**

### **Proposals for a Finance Mechanism for Cumbria Police Authority** **A report by the Treasurer and the Chief Executive**

#### **1. Introduction**

1.1 Throughout the budget process for 2010-11 (and in respect of earlier years) attention has been drawn to the need for major savings required over the outlook period covered by the Medium Term Financial Forecast.

1.2 When presenting the 2009-10 budget, the Chief Constable in recognising the scale of financial savings required in the period to 2012-13, initiated a number of strategic reviews around the theme 'Excellence and Sustainability' intended to put the Constabulary budget on a sustainable footing. Those reviews have now been largely completed and are to be implemented in the coming months. But over the past year, the scale of savings requirement has increased significantly. This is largely as a result of the more pessimistic assumptions adopted by the Authority within its Medium Term Financial Plan as to future grant and council tax income likely to be available to fund policing in Cumbria following the next Comprehensive Spending Review (CSR) to be completed after the election.

1.3 This is best illustrated by the following table taken from the budget report which shows the anticipated level of savings required to be made over the next three years depending on the level of council tax increases sanctioned by government or approved by the Authority in the outlook period in a range of 1% to 3%, with no overall increase in grant from central government.

<b>Cumulative savings required to sustain budget proposals in future years, including identified increments of growth beyond 2010-11:</b> (savings found in first year reduce or eliminate savings needed for years 2 and 3)			
	2011-12	2012-13	2013-14
	£,000	£,000	£,000
<i>Based upon 1.0% council tax increase</i>	5,306	5,175	6,160
<i>Based upon 2.0% council tax increase</i>	4,965	4,478	5,097
<i>Based upon 2.5% council tax increase</i>	4,794	4,127	4,557
<i>Based upon 3.0% council tax increase</i>	4,622	3,774	4,011

1.4 The reviews completed by the Chief Constable do not at present show how the funding gap illustrated in the table above is to be fully bridged or how any shortfall in the savings yielded from the reviews is to be managed in terms of the forward budget. At this point in time, the costs of implementing individual reviews are not yet fully identified, nor is the extent of additional savings which might be yielded from the reviews being implemented during the course of the year and would be available to offset some of the costs of implementation.

1.5 Against this background, it becomes even more critical that the Authority (and the Constabulary) have in place a mechanism which allows for a fuller engagement in developing the annual budget for 2011-12 and future years against the background of the current MTFF.

1.6 We believe that the most appropriate mechanism is a Working Group reporting directly to the Authority (as does the Estates Working Group).

1.7 There have been suggestions for the establishment of a more formal Finance Committee. If this were to be supported it would likely require the transfer of the budget monitoring responsibilities from Governance Committee. However, the establishment of a committee is not supported, principally for two reasons. Firstly the current administrative arrangements are already fully stretched and we do not consider that there are the necessary resources in place to support a further committee. Secondly, experience suggests that a committee can be too formal for the role required of the proposed Working Group, requiring a more formal reporting structure and perhaps duplicating parts of the budget process which presently comes to the Authority.

1.8 A Working Group would need to concentrate on identifying the scope for strategic change in order to deliver savings in line with the shortfall identified in the MTFF and reflected in the three-year target adopted by the Authority for the Efficiency Plan. It should be forward rather than backward looking. It should be prepared to receive information on a less structured basis, be prepared to scrutinise, question, and absorb the information on which the more formal reporting to the Authority follows subsequently. Given the scale of savings required over the outlook period, but particularly in the first year, the Working Group may need to be more proactive in seeking and assessing alternative (strategic) solutions to maintaining and sustaining front line services whilst at the same time identifying significant strategic savings. But it will also want to obtain assurance that these two objectives can remain compatible whilst at the same time enabling the Authority to set a 'balanced' budget.

## **2. Terms of Reference and Responsibilities for a Finance Working Group**

2.1 In the first year the Terms of Reference need to be deliberately simple and less prescriptive in order to allow the Working Group to develop its role. But the emphasis should remain firmly focussed on the 'Strategic' end of the financial spectrum, its role should not be to duplicate, augment or challenge that of the Governance Committee.

2.2 In developing and undertaking its functions, the Working Group should be free to discuss issues having a strategic financial implication or which facilitates a better understanding of the strategic financial environment in which the budget is developed. The following parameters are put forward for consideration as to its terms of reference and along with the contents of this report have been consulted upon with the Director of Finance and Resources on behalf of the Chief Constable:-

- to engage with the Chief Constable on those strategic matters having a direct or indirect material effect on the development of a sustainable budget over the outlook period covered by the Authority's Medium Term Financial Plan
- to have regard to the potential shortfall in revenue and capital resources over the outlook period as identified by the budget approved for the current year and any changes to those projected resources or budget requirements identified in updating reports over the course of the year
- to consider ways in which forward budgets can be aligned to projected resources, including the scope; means; costs and potential impact of making and achieving savings
- to have regard to the savings and efficiency targets set by the Authority within the efficiency plan and the steps being taken to deliver them, but without duplicating formal responsibility for monitoring the delivery of the efficiency plan which rests with the Policing Plan and Performance Committee
- to make such recommendations to the Authority (at its December meeting) as seem appropriate having regard to the Authority's responsibility for developing and approving the annual budget
- to receive Members Report Back forms on any activities and issues arising from member attendance at partnership meetings relevant to the working group
- the Minutes of the Working Group to be reported to the Authority

### **3. Alternative Arrangements**

3.1 As mentioned above, Authority staff are presently running at full capacity and would in our opinion experience real difficulty in absorbing the impact of servicing **an additional** Committee or Working Group as too would the Constabulary. The period from March to June is now as busy and demanding as the budget period for both the Treasurer and the Director of Finance and Resources and his finance team. This arises particularly from the incremental impact of changes in the Accounts and Audit Regulations in respect of the additional reporting requirements relating to the control and governance environment and responding to the annual Use of Resources assessments. Additionally for the current period, responding to the introduction of the new

International Financial Reporting Standards is making significant demands on the finance team (who have just lost a key member of staff) whilst Authority staff are heavily engaged in preparing for the challenges posed by the forthcoming inspection. It is likely in the short-term that both parts of the organisation would struggle to adequately service the needs of a new Working Group charged with the responsibilities outlined.

3.2 However the existing Change Management Working Group is already strongly focused on the delivery of 'strategic change' and by association, strategic savings. Given that the scale of financial savings required over the outlook period can be achieved only by strategic change, there would in our view be greater synergy in combining and broadening the roles within a single Working Group. The existing terms of reference for the Change Management Working Group are set out in Appendix 1 and the expanded terms required to encompass the wider role envisaged from a combined Finance and Change Management Working Group, with changes italicised, are set out in Appendix 3.

3.3 For the reasons outlined, we would suggest that the Authority considers broadening the remit of the existing Change Management Working Group to become the 'Finance and Change Management' Working Group' with terms of reference as set out in Appendix 3.

#### **4. Membership and costs of a Working Group**

4.1 The Change Management Working Group comprises of 7 members, as follows:

##### **County Council Members (3)**

Ms Elizabeth Barraclough (Chair)  
Mr Alan Barry  
Mrs Jill Heath

##### **Independent Members (2)**

Mr Rob Huck  
Mr Andy Hampshire

##### **Ex Officio Members (2)**

The Chairman of the Police Authority (Mr Ray Cole)  
The Vice-Chair of the Police Authority (Mrs Lynda Shaw)

4.2 The main determinant of costs for a Working Group (apart from the use of staffing resources) is the frequency at which meetings are held and the combined travel costs of its members. If a separate Finance Working Group were to be established, the marginal additional costs are estimated at £4,000 pa (Chair's allowance plus postage and ancillary costs plus travel costs estimated at £1,000 based on 7 members and 5 meetings a year). Combining roles into a single Working Group would thus avoid additional direct costs of up to £4,000 pa, with only marginal additional costs for postage, and additional travel if the Working Group were to meet more frequently as a result of its additional responsibilities than it would otherwise have done.

## 5. Recommendations

5.1 The Authority is asked to consider the proposals put forward in this report note and to determine:

- (a) (i) whether to expand the Terms of Reference of the Change Management Working Group so as to incorporate the role of a Finance Working Group as suggested, and if so,
- (ii) to consider the adoption of the Terms of Reference set out at Appendix 3

5.2 If the Authority determine instead to have a separate Finance Working Group, then it will need to also determine:

- (a) Terms of Reference (see Appendix 2)
- (b) Membership
- (c) that Chairmanship of the Working Group should be incorporated within the Scheme of Members Allowances as a Special Responsibility at the rate for Working Groups (this may not automatically lead to an increase in allowances payable since members can receive only one special responsibility allowance)
- (d) appoint a Chairman
- (d) delegate the Chairman of the Working Group to agree a timetable of meetings

**Douglas Thomas**

Treasurer

18 March 2010

**Clive Alcock**

Chief Executive

### **HUMAN RIGHTS IMPLICATIONS:**

The report has no direct implications for Human Rights.

### **RACE, EQUALITY, DIVERSITY IMPLICATIONS:**

The report has no known implications for Race, Equality or Diversity.

### **FINANCIAL/BEST VALUE IMPLICATIONS:**

The report includes details of the potential additional financial implications

### **STRATEGIC RISK IMPLICATIONS**

The purpose of the report is to enable the Authority to better address and so mitigate the Strategic Risk of a significant reduction in resources over the outlook period to 2013-14 which have to be offset by equivalent savings.

### **Background papers**

**(Section 100(d) of the Local Government (Access to Information Act) 1985 refers):**

Treasurer's Budget Reports to Police Authority 19 January and 17 February 2010

For further information, contact:

**Clive Alcock**

**Chief Executive**

telephone: 01768 217732

email: [stuart.edwards@cumbria.police.uk](mailto:stuart.edwards@cumbria.police.uk)

**Douglas Thomas**

**Treasurer**

01768 217631

[douglas.thomas@cumbria.police.uk](mailto:douglas.thomas@cumbria.police.uk)

## WORKING GROUPS

**Note:** Working Groups do not have delegated powers to make decisions on behalf of the Police Authority. They can make recommendations to the Police Authority for decision. These are private meetings and their papers are not made available to the public.

### Change Management Working Group

#### Terms of Reference

- To monitor, on behalf of the Police Authority, those capital projects or other programmes managed by the Constabulary's Programme Management Unit or its successor units, or such other Boards or Units which may manage strategic change programmes undertaken or directed by the Chief Constable
- To provide minutes of the Working Group's activities to the full Police Authority meeting.
- To monitor continuously on behalf of the Police Authority any strategic and/or organisational reviews undertaken by the Chief Constable including, by way of example, reviews:
  - (i) Of any capital project; or
  - (ii) Of any such review or process designed to ensure future budgets remain sustainable within criteria set by the Authority's Medium Term Financial Plan under its Budget approval, as updated from time to time during the ensuing year.
- To make and refer such recommendations as the Working Group deem appropriate to the Authority itself or else for the consideration of any committee of the Authority appearing to the working group to have a direct interest in the outcome of any review covered by these terms of reference.
- To monitor and report to the relevant committee (or directly to Authority, as appropriate) on the forward strategic budget implications of actions and outcomes derived from any strategic review as above.
- To monitor and review those strategic risks falling within the purview of the Working Group.
- To receive Members Report Back forms on activity and issues arising from member attendance at partnership meetings relevant to the working group.

### WORKING GROUPS

**Note:** Working Groups do not have delegated powers to make decisions on behalf of the Police Authority. They can make recommendations to the Police Authority for decision. These are private meetings and their papers are not made available to the public.

#### Finance Working Group

##### Draft Terms of Reference

- to engage with the Chief Constable on those strategic matters having a direct or indirect material effect on the development of a sustainable budget over the outlook period covered by the Authority's Medium Term Financial Plan
- to have regard to the potential shortfall in revenue and capital resources over the outlook period as identified by the budget approved for the current year and any changes to those projected resources or budget requirements identified in updating reports over the course of the year
- to consider ways in which forward budgets can be aligned to projected resources, including the scope; means; costs and potential impact of making and achieving savings
- to have regard to the savings and efficiency targets set by the Authority within the efficiency plan and the steps being taken to deliver them, but without duplicating formal responsibility for monitoring the delivery of the efficiency plan which rests with the Policing Plan and Performance Committee
- to make such recommendations to the Authority (at its December meeting) as seem appropriate having regard to the Authority's responsibility for developing and approving the annual budget
- to monitor and review those strategic risks falling within the purview of the Working Group.
- to receive Members Report Back forms on any activities and issues arising from member attendance at partnership meetings relevant to the working group
- the Minutes of the Working Group to be reported to the Authority

### WORKING GROUPS

**Note:** Working Groups do not have delegated powers to make decisions on behalf of the Police Authority. They can make recommendations to the Police Authority for decision. These are private meetings and their papers are not made available to the public.

#### **Finance and Change Management Working Group**

##### Terms of Reference

- To monitor, on behalf of the Police Authority, those capital projects or other programmes managed by the Constabulary's Programme Management Unit or its successor units, or such other Boards or Units which may manage strategic change programmes undertaken or directed by the Chief Constable
- To monitor continuously on behalf of the Police Authority any strategic and/or organisational reviews undertaken by the Chief Constable including, by way of example, reviews:
  - (i) Of any capital project; or
  - (ii) Of any such review or process designed to ensure future budgets remain sustainable within criteria set by the Authority's Medium Term Financial Plan under its Budget approval, as updated from time to time during the ensuing year.
- To make and refer such recommendations as the Working Group deem appropriate to the Authority itself or else for the consideration of any committee of the Authority appearing to the working group to have a direct interest in the outcome of any review covered by these terms of reference.
- To monitor and report to the relevant committee (or directly to Authority, as appropriate) on the forward strategic budget implications of actions and outcomes derived from any strategic review as above.
- To monitor and review those strategic risks falling within the purview of the Working Group.
- *to engage with the Chief Constable on those strategic matters having a direct or indirect material effect on the development of a sustainable budget over the outlook period covered by the Authority's Medium Term Financial Plan*
- *to have regard to the potential shortfall in revenue and capital resources over the outlook period as identified by the budget approved for the current year and any changes to those projected resources or*

*budget requirements identified in updating reports over the course of the year*

- *to consider ways in which forward budgets can be aligned to projected resources, including the scope; means; costs and potential impact of making and achieving savings*
- *to have regard to the savings and efficiency targets set by the Authority within the efficiency plan and the steps being taken to deliver them, but without duplicating formal responsibility for monitoring the delivery of the efficiency plan which rests with the Policing Plan and Performance Committee*
- *to make such recommendations to the Authority (at its December meeting) as seem appropriate having regard to the Authority's responsibility for developing and approving the annual budget*
- to receive Members Report Back forms on any activities and issues arising from member attendance at partnership meetings relevant to the working group
- the Minutes of the Working Group to be reported to the Authority