Cheques and Balances

A Management Handbook on Police Planning and Financial Delegation
The Audit Commission

...promotes proper stewardship

of public finances and helps those

responsible for public services

to achieve economy, efficiency

and effectiveness.
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Applications for reproduction should be made to HMSO
Designed and produced by Intergraphic
Printed in the UK for the Audit Commission at Press On Printers
ISBN 011 886141 7
London: HMSO
Audit Commission, Police Paper No. 13, 1994
Cover photograph by Hilary Shedel
Preface

The Police and Magistrates' Courts Act 1994 is the most far-reaching reform of the management of the police service for thirty years. It changes the composition and functions of police authorities; delegates considerable managerial discretion to chief constables; establishes mechanisms designed to increase police accountability, including the setting of national objectives; and overhauls the basis of financing provincial forces. The supporting Code of Practice on Financial Management will specifically encourage police authorities and forces to extend the principle of delegating responsibility to the maximum feasible degree. The intention is that police authorities leave day to day financial resource management to chief constables, and that chief constables push both financial and operational responsibilities down to local commanders.

All major changes bring with them both opportunities and threats. The opportunities include a re-examination of services to improve economy, efficiency and effectiveness; and fine-tuning the delivery of services so that they respond flexibly to local needs. The threats include a disruption to effective working as the new arrangements bed down, particularly as the incoming police authorities will encounter heavy workloads in their first six months of operation. The change process will therefore need sensitive management to smooth the transition to a new planning framework for policing.
This Management Handbook addresses these and other implications for police forces and police authorities in an effort to help them negotiate the change process, and make the most of the new opportunities. Recommendations from previous Audit Commission studies have been revisited, especially those concerned with financial delegation and the financing of provincial police forces. The study also looks ahead to the proposed extension of compulsory competitive tendering (CCT) and offers advice on the client role for contracted services. In addition, the Commission has provided police authorities’ external auditors with technical advice on the implications of the Act, and they will be undertaking work throughout the transition period on matters such as the transfer of assets and liabilities.

The Handbook contains detailed examples of good practice on financial management and business planning, drawn from fieldwork visits to ten provincial forces and work undertaken by the National Audit Office in the Metropolitan Police. These are not intended to be prescriptive but should be of interest to forces, even those which embarked upon delegation some years ago, as they prepare to meet the demands of the new statutory framework for the police service. The principal audience for this Management Handbook is managers in police forces and authorities. An accompanying Executive Briefing highlights key policy issues, and is aimed at police authority members and chief officers.

The study was undertaken by Kate Flannery from the Local Government Studies Directorate and Steve Jackson, seconded from the District Audit Service, under the direction of Steve Evans. The Audit Commission would like to thank in particular the eleven forces that hosted fieldwork; the National Audit Office for their work on financial delegation in the Metropolitan Police; the ACPO Finance Committee; and those individuals who commented on the draft versions of the Handbook. The interpretation of the findings, and the recommendations drawn from them, remain the responsibility of the Audit Commission.
Summary of Points for Action

The Police and Magistrates’ Courts Act 1994 ushers in significant changes to the constitutional, financial and planning framework for policing. As with all reforms, there are both risks and opportunities for those attempting to manage change. This Management Handbook seeks to offer practical advice rather than prescription, concentrating upon key issues amidst the welter of detail that inevitably accompanies major legislation.

1. **Outgoing police authorities should not pre-empt the new authorities’ freedom to set their own priorities, nor create for them avoidable financial difficulties.**
   Outgoing authorities have a key role in maintaining quality services during the transition period and ensuring a smooth hand-over of responsibilities. They must not take long-term financial or policy decisions without consulting the shadow authority; and should assist their work by providing administrative support and details of assets, liabilities, information bases etc.

2. **Shadow authorities will face a heavy initial agenda of detailed decisions, but should try to develop a strategic approach to their consultation and monitoring roles.**
   Shadow authorities must make key appointments, agree the draft budget and Local Policing Plan and submit bids for transitional funding to the Home Office – all in their first few meetings. But they should try to exploit the fresh start offered by the Act to review working relationships with the force, and consider how to improve community consultation on policing priorities.

3. **Forces and police authorities must decide on their preferred option for provision of support services.**
   There are three possible options: in-house support, continuing with local authority services or opting for external contracts. Before decisions are taken, the legal and practical constraints of each option need to be identified and addressed.

4. **The objective of extending financial delegation to front-line commanders should be set within a wider framework of performance management.**
   Local financial management (LFM) needs to be accompanied by clear roles and accountabilities with specific objectives and targets, as well as appropriate authorisation and virement levels. A framework of ground rules and standards should be in place to ensure consistent adherence to corporate policy.
5 **The proportion of force budgets delegated to local commanders varies widely – some forces have not yet exploited the full benefits of LFM.**

The predisposition should be to delegate unless there are clear disbenefits in doing so. Forces should consider the advantages that might accrue from devolving elements of core staffing costs, weighing these alongside risks and practical constraints.

6 **Forces need to develop frameworks of financial control which are more suited to a devolved regime.**

In particular, improvements are needed in financial information systems, which may require IT enhancement. Forces should also review levels of local support and ensure that financial training needs are being met. In many forces, guidance manuals could be revised to make them more user-friendly. Budget heads should be grouped together to facilitate virement, and the budget-setting process should entail more consultation with local commanders and heads of departments.

7 **Forces should review their current planning processes so that the statutory requirement to prepare Local Policing Plans can be discharged effectively.**

Local Policing Plans should be integrated with existing plans rather than treated as discrete exercises. Internal and external consultation could be improved, and force management must strive to make plans relevant to front-line operations. A comprehensive business planning approach should be adopted, and used to back up delegated management. Information bases to produce costings need to be improved.

8 **Forces should be gearing up for the extension of CCT by strengthening the client role and developing service standards for support functions.**

Forces should ensure that service standards, and where appropriate full service level agreements, are drawn up for support functions; user consultation is an essential element of this process. Agreements should contain clear statements of the service standards to be provided, focusing where possible on outputs rather than inputs. Police authorities and chief constables should develop CCT strategies confirming the service direction they wish to pursue. Officers should be designated now to fulfil all client-side responsibilities.
The Act is the most far-reaching reform of the management of the police service for thirty years.

Outgoing police authorities have to maintain services through the transition period and ensure a smooth hand-over.

New police authorities face a heavy agenda in their first few months, with major decisions to make on budgets, staffing and the content of the Local Policing Plan.

Chief constables will need to draft the Local Policing Plan and consider arrangements for support services.

1 The Police and Magistrates' Courts Act
1. The Police and Magistrates’ Courts Act 1994 (‘the Act’) is the most far-reaching reform of the management of the police service since the Police Act 1964. It seeks to clarify the roles of the parties in the tripartite structure, strengthen accountability and replace detailed Home Office controls on financial inputs with cash-limited grants, based on an objective assessment of needs. Police effort will be more focused on key areas of activity through the setting of national objectives by the Home Secretary. The Act presents significant opportunities to quicken the pace of financial and operational delegation – from the Home Office to police authorities, from the police authority to the chief constable, and from the chief constable to local commanders. Chief constables and police authorities will be publicly accountable for the extent to which they have achieved the objectives set out in their annual Local Policing Plan.

2. The Act is wide-ranging in scope, but in essence it:

♦ constitutes all police authorities as free-standing corporate bodies with their own standard spending assessment (SSA) and individual capping levels;

♦ changes the composition of the police authority to nine members from relevant councils, three magistrates and five appointed members (subject to specific, rare exceptions);

♦ places a duty upon each police authority to secure the maintenance of an efficient and effective police force;

♦ requires each police authority to issue a plan setting out the proposed arrangements for the policing of the authority’s area, reflecting both national and locally-determined objectives and performance targets, and to report each year on implementation of the previous year’s plan;

♦ continues the chief constables’ powers of ‘direction and control’ of their forces; in discharging their functions they must have regard to the Local Policing Plan issued by the police authority. Chief constables will in future directly manage most civilian staff employed by the authority and have a significant delegated financial management role;

♦ empowers the Home Secretary to issue directions to police authorities on remedial measures needed to improve efficiency or effectiveness, and to specify a minimum budget for an authority, following an adverse report on the force from HM Inspectors of Constabulary.

The new financial regime

3. The changes to the financial regime are significant. From April 1995 all provincial police authorities will be free-standing, precepting bodies with their own SSA and capping level. Police specific grant will in future be paid as a cash-limited sum, not as a proportion of expenditure; the balance of funding will come from revenue support grant, national non-domestic rate and a precept on billing authorities for the proportion of the budget met by the council tax. Authorities will have borrowing powers and the capacity to build up and carry forward reserves. They will be expected to live within the funds made available to them, and cannot borrow to cover a deficit incurred in previous years. At present a shire force facing a
The Police and Magistrates’ Courts Act

financial emergency which exceeded its contingency fund can make a call
upon the county council's contingency fund; this facility will not be
available after April 1995, placing these forces in the same position as
metropolitan forces have been since 1986. If an authority is confronted
with an exceptional financial crisis, and all other avenues have been
exhausted, it may have to seek central government help in the form of a
special grant.

4. In adopting the cash-limited grant method of funding police forces, the
Home Office has relinquished its detailed control over police
establishment levels. In future, decisions about the appropriate balance of
resources between police officers, civilians, equipment and running costs
will be made at the local level. Capital controls will be eased and each
police authority will agree and implement a capital works programme.
Although the bulk of capital grants will be made against prioritised bids, a
residual sum will be distributed on the basis of a formula. The Code of
Practice on Financial Management issued under the Act (see Appendix 1)
will give a firm steer to delegate financial responsibility to the lowest level
consistent with proper financial conduct, encompassing delegation from
the police authority to the force and within the force itself. Overall,
therefore, the Act is a major piece of legislation affecting the financial and
planning framework for policing; this and later sections address some of
the key issues arising.

The transition from old to new:
challenges and opportunities

5. But first, authorities and forces must negotiate a path from old to new.
A transition to new structures is often marked by uncertainty, but the
fresh start also brings opportunities to re-examine services in order to
improve economy, efficiency and effectiveness, and create a flexible
response to local needs. But the timescale for implementation of the
reforms is tight, and authorities will need to 'hit the ground running'. In
order to help bring about a smooth transition and realise the benefits of
restructuring, the new police authorities will be in place from November
1994, initially on a shadow basis, working alongside existing authorities to
manage the change process but clearly with a forward-looking perspective.
Each shadow authority will receive a sum of around £97,000 for start-up
expenses and administration, and can make specific bids for expenditure
incurred in preparing for the new regime. A maximum of £17 million is
available nationally, for expenditure such as IT equipment,
accommodation costs, training for new duties and recruitment of staff to
carry out new management functions.

6. The extent of the changes proposed for police authorities is less
dramatic than that envisaged for many councils subject to local
government reorganisation. The majority of civilian staff working wholly
for existing police authorities will transfer to the new authorities, and
there should be little if any disruption to mainstream service delivery by
forces. But action still needs to be taken to minimise the risks that
accompany change. Despite the duty of co-operation set out in S. 95 of

The Commission has set out
advice on preparing for local
government reorganisation
in Time for Change?, HMSO,
May 1994, and this may be
of interest to police
authorities.

9
the Act, some decisions taken by outgoing authorities could be contrary to the new authorities' interests, especially if they involve entering into financial and contractual commitments that extend into the life of the new authority. In Wales, legislation will restrict the right of outgoing local councils to enter into such contracts without the consent of the incoming council, a useful safeguard that could be applied in respect of police authorities.

7. Decisions by outgoing police authorities should not therefore pre-empt the new authorities' freedom to set their own priorities, nor create for them avoidable financial difficulties. Specifically, it would be inappropriate for outgoing authorities to take the following steps without agreement by the shadow authority:

♦ enter into long-term agreements (i.e. longer than 12 months) that would be costly for the new authority to break;
♦ make major asset purchases or disposals;
♦ engage in new capital projects or service developments that were not previously given priority.

These precautions should not impede preparation for the new arrangements, for example, the development of stand-alone financial accounting systems.

8. Additionally, outgoing members have a key role to play in maintaining quality of service during the transition period and ensuring a smooth hand-over of responsibilities. They need to:

♦ reach agreement on the transfer of assets, liabilities, reserves etc. and confirm with the relevant financial officers the apportionment of balances and the treatment of outstanding debt. In the absence of agreement, binding arbitration will determine the matter;
♦ continue with current service plans, including community consultation and preparation for compulsory competitive tendering (CCT);
♦ consult the shadow authority (there may of course be overlapping membership) on matters of substance;
♦ make arrangements for initial administrative support for the shadow authority;
♦ communicate with civilian staff through existing consultation machinery, bulletins etc. to keep them informed and limit the threats to morale which often accompany structural change;
♦ prepare information on current priorities and results of public surveys, to help new authorities identify key policy issues.
9. Most shadow authorities will probably not have their first full meeting until early November, and in the period from November 1994 to March 1995 they must accomplish a series of key tasks, notably to:

♦ appoint a treasurer and a clerk, and agree standing orders and financial regulations; specify the reserved powers that will not be delegated to the chief constable;

♦ approve the draft revenue and capital estimates for 1995/96 and set a precept;

♦ agree the proposals for provision of support services;

♦ determine the local objectives for 1995/96 in consultation with the chief constable and the local community;

♦ approve and issue the Local Policing Plan, as drafted by the chief constable or with any revisions, as appropriate.

10. In an ideal world the new authorities would start on a level playing field in terms of resourcing. But the reality is that some authorities could begin with financial difficulties, possibly inheriting high spending commitments and low – or even nil – balances from their predecessors. The Home Office is not specifying a minimum level of reserves but rather is relying upon local negotiation and agreement. Setting initial budgets could be problematic. In the past actual levels of spending have tended not to match the standard spending assessments (SSAs) in a significant number of forces (Exhibit 1). Depending on the impact of the funding formula and precise nature of the damping mechanism used to minimise funding turbulence, some authorities may enjoy extra spending power whilst others may require transitional help. An early task for shadow authorities will therefore be to examine the draft estimates in the light of the authority’s SSA and identify whether the financial position is one which requires urgent action.

Exhibit 1
Shire forces’ budgeted spending in relation to SSA levels, 1993/94, England

Most forces spend below SSA ...

Source: CIPFA statistics for 1993/94 budgets; SSA figures from Hansard, January 1994
11. Although their early deliberations may focus on these key decisions, shadow authorities also need to consider the working relationship with the force. Is it going to be business as usual, continuing the previous arrangements or will authorities and chief constables take the opportunity to review these arrangements and seek to improve them if appropriate? As soon as it is practicable, the shadow authority should attempt to define the framework of roles, accountabilities and monitoring mechanisms that will govern the relationship between the authority and the force.

12. More short-term considerations concern the management of the change process. Specifically, shadow authorities should:

- establish a project plan to define member and officer responsibilities through the change-over, possibly nominating a lead member to co-ordinate this work;
- secure control of physical assets from former host councils at the hand-over time;
- consider their staffing requirements – which staff does the authority want under its direction and control?
- agree structures and methods of working, such as sub-committee or working party arrangements;
- review existing links with community groups and statutory agencies.

Issues for chief constables during the transition period

13. Chief constables will inevitably find that some energy is absorbed in negotiating the force into new administrative arrangements and in developing new working relationships with the police authority. Of particular importance will be the content of the draft Local Policing Plan, which is likely to be on the first agenda of the shadow authorities; rehearsing the principal elements with the existing authority could prove helpful. Forces also need to identify, and discuss with the police authority, their preferred option for the provision of support services – whether to buy in support from the existing local/lead authority, bring the work in-house or opt for contracts with private firms.

Options for the provision of support services

14. Policing is a complex public service. Operational activities range from murder enquiries and intelligence-gathering to school crossing patrols and administration of a lost-property service. The backroom support needed to sustain these operations is equally wide-ranging, covering finance, personnel, legal advice, IT, property management and ancillary services such as catering and cleaning. One of the more complex problems arising from the change in status of the new police authorities, in conjunction with other legislation and regulations, is the future provision of these support services.
15. This support is currently provided from one or more of the following sources:

- in-house staff reporting to the chief constable. In most forces, the support functions are heavily civilianised; all civilian staff are employed by the police authority but some may be based in HQ or other police premises with reporting lines up to the chief constable;
- staff working for the police authority with reporting lines to the clerk or treasurer, whether these staff are full or part-time and whether employed by a county or a lead district;
- county council/lead authority staff providing support through a service level agreement e.g. property management;
- external contracts, for example with a private sector catering company.

16. From total annual spending on policing in provincial forces of around £4.6 billion, some £34 million is currently paid or accredited to local authorities for the direct costs of the police authorities themselves and for legal, finance, personnel and other administrative services for police forces. All forces receive a significant level of support services from local authorities, usually through secondments or explicit or implied contracts in the case of the metropolitan and combined police authorities, or directly in shire forces. Chief constables express varying degrees of satisfaction with the quality and the cost of these services.

17. The White Paper on Police Reform which preceded the Act signalled an intention to give chief constables greater discretion in determining where the force was positioned along a spectrum ranging from maximum direct provision to maximum external provision. And the preamble to the subsequent Bill envisaged some changes to the current pattern of provision: ‘to the extent that the new police authorities purchase services elsewhere than from local government, there will be a reduction in local government receipts and the possible need for reductions in local government staff.’ Some police authorities and chief constables consider that their force’s interests are best served by bringing as much support as possible in-house, whilst others want to limit direct management responsibilities to what they view as core operational and support functions, and manage the remaining activities through external contracts.

18. However, in considering the preferred pattern of support services, police authorities and chief constables need to be aware of various statutory provisions and regulations relevant to their decisions:

**Police and Magistrates’ Courts Act 1994** – constitutes the new shire police authorities as corporate bodies, separate from the county councils of which they were formerly part (joint and combined police authorities are already free-standing legal entities). Existing internal arrangements, whether or not formalised through service level agreements, will need to be replaced by contractual arrangements.
Statutory Instrument on Transfer of Staff – the draft proposal, which if agreed will be embodied in a Statutory Instrument, is that all staff employed by existing police authorities will transfer to the new police authorities, as will some staff working wholly in support of the police who are employed by local authorities. There are other categories of staff who may or may not transfer, depending on how forces intend to obtain services in the future.

Transfer of Undertakings Protection of Employment (T.U.P.E.) Regulations – the question whether T.U.P.E. will apply to the transfer of civilian staff to new police authorities is one which police authorities need to establish with their own legal advisers, although the Home Office has issued guidance on general principles (as well as on other matters relating to staff transfers).

Local Authorities (Goods and Services) Act 1970 – empowers local authorities to supply goods and services and provide administrative, professional or technical services to public bodies, including police authorities. But the Act confers no additional power to engage staff to perform any agreement authorised by that Act. Rather, in the opinion of the Solicitor to the Audit Commission, it allows the services of staff already engaged for other proper purposes who may not be fully employed to be provided by agreement to other public bodies.

European Community Services Directive – requires public bodies wishing to do work other than with in-house staff to advertise and tender contracts for certain services above a specified value, currently 200,000 ECUs, around £149,000. Where a force is entering into a new contract for support service provision, as could be the case for county forces, they may have to comply with the EC Directive.

Local Government Act 1972 – allows a local authority, under Sections 112 and 113 of the Act, to appoint officers and place their services at the disposal of another authority to help that authority discharge its functions. The latter section permits a secondment-type arrangement but does not constitute a contract for the provision of support services.

The Local Government Act 1988 and the Local Government Act 1992 – paved the way for the extension of compulsory competitive tendering (CCT) to a range of both blue-collar activities, such as building cleaning, and professional services such as legal, finance and personnel. If CCT is extended as proposed, then where a service such as legal work is provided by a local authority to a new police authority under a works contract, the police authority will need to go through the competitive tendering process laid down for such contracts. However, the proposed timetable for white-collar activities provides new police authorities with ‘breathing space’ until the first round of contracts are let (by April 1997).
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| **1. In-house provision**  
   (a) use existing staff | ♦ Statutory Instrument will transfer relevant staff from police authorities and local authorities. |
| (b) recruit new staff | ♦ If T.U.P.E applies, new police authority will bear any redundancy costs related to transferred staff incurred as a consequence of restructuring support services.  
♦ (For both (a) and (b), CCT provisions may apply from 1997 for defined white collar activities.) |
| **2. Continue with current local authority provision** | ♦ Local Government Act 1972 for officers placed at disposal of police authority; Local Authorities (Goods and Services) Act 1970 for support services contracts – but with a question mark over the powers of local authorities to establish long-term arrangements. New contracts may have to comply with tendering rules laid down by EC Services Directive. |
| **3. Let external (private sector) contracts** | ♦ Where a police authority wishes to obtain a support service through an external supplier, T.U.P.E. may place obligations on the external supplier regarding the staff currently doing that work, if an ‘undertaking’, or part of one, is being transferred. |

*This is only general guidance; the powers and constraints that apply in any particular case will depend upon the circumstances of that case, and specific legal advice should be sought.*
19. These provisions must be taken into account, and may limit the room to manoeuvre in choosing a particular option for support service provision (Box A, on previous page). Indeed, if the police authority/force wish either to bring work in-house or let a new, external contract, there may not be sufficient time to accomplish this by next April (Exhibit 2, opposite). If the work is to be awarded by competitive tendering, either to the existing providers or to new contractors, a detailed specification will be required which sets out the quality and quantity of work to be undertaken, and a client-side manager designated to ensure that the contractor delivers this specification. Some forces will be hampered in speedy preparation of specifications by the absence of detailed agreements on services currently provided from County Hall. If the preferred option is the in-house one, forces will need to scope the work, identify exact staff requirements, draw up detailed job descriptions/person specifications and then set in motion either a recruitment process or the transfer of staff from local authorities, as appropriate.

20. These practicalities and timing issues mean that, whatever the ultimate preference, the simplest route in the short-term may be to continue current arrangements where possible, to allow time for the development of a longer-term strategy. It would, however, be unfortunate if forces, in opting for a continuation of their current arrangements, did not pursue bids from the transition fund to underpin their future strategy e.g. purchasing IT equipment.

The external audit role during the transition period

21. All police authorities have external auditors, appointed by the Audit Commission either from the District Audit Service or from one of a number of private accountancy firms. The Commission expects to appoint auditors to the new police authorities in Autumn 1994, thus enabling these auditors to undertake work during the shadow period. The following tasks are envisaged:

- reviewing compliance with the Code of Practice on Financial Management;
- review of standing orders and financial regulations;
- checking accounts of expenditure in relation to initial financing grant (£97,000 for start-up and other expenses during shadow period); check of procedures for transfer of assets, liabilities and balances;
- review of arrangements for provision of support services to the new authority – IT, finance etc.
Exhibit 2  
**Key steps and timescale for support services options**

Whichever option is identified for support services, certain steps need to be completed ...

- **External Provision**
  - Clear specification for the service
  - Establish client-side management
    - Consider how work will be packaged e.g. separate contracts for each activity?
    - Establish contract value: if > 200,000 ECUs$^*$, comply with EC Services Directive where required
    - Commence tendering process where required
    - Contract commences

- **In-house Provision**
  - Detail the scope of the work (similar to a specification)
  - Calculate staffing requirements
  - Identify accommodation and equipment needs
  - Draw up detailed budget for activity
  - Prepare job descriptions and person specifications
  - Complete recruitment process

*ECU*: European Currency Unit

$^*$ Depending on quality of existing documentation, 2-4 months

$^*$ For CCT-exempted activities, or work below de minimis level
Checklist for action

1. **Outgoing police authorities**
   Ensure that shadow authorities are consulted and their agreement obtained before decisions are made to:
   - enter into long-term agreements which may be costly for the new authority to break;
   - make major asset purchases or disposals;
   - engage in new capital projects or service developments which have significant financial implications and which were not previously given priority.

Prepare a register of assets to be transferred to the new authority and confirm apportionment of balances.

Continue with current service plans, including community consultation and preparation for CCT.

Establish formal liaison mechanisms with the shadow authority, and arrangements to provide administrative support.

Communicate and consult with civilian staff, to keep people informed and limit the threats to morale which often accompany structural change.

2. **Shadow police authorities**
   Identify key decisions to be made by the shadow authority and agree a timetable to ensure that these decisions are taken as soon as is practicable. Specifically:
   - appoint a clerk and a treasurer, agree standing orders and financial regulations;
   - approve the estimates for 1995/96 and set the precept;
   - determine local policing objectives for 1995/96, in consultation with the chief constable and the local community;
   - approve and issue the Local Policing Plan, as drafted by the chief constable with any revisions as appropriate;
   - consider and approve, as appropriate, the proposals for provision of support services.

Agree project bids for submission to the Home Office transition fund.

Consider and agree upon a framework of roles, responsibilities and monitoring arrangements to develop a constructive working relationship with the chief constable.

Establish a project plan to define member and officer responsibilities through the change-over process, possibly co-ordinated by a lead member.

Ensure that control of physical assets will transfer smoothly from former host councils.
Review and as necessary strengthen links with community groups and statutory agencies.
Consider future staffing requirements and methods of working e.g. sub-committees or working parties.

3 **Chief constables**
Prepare, in consultation with the treasurer, reports to be submitted to early meetings of the shadow authority, especially on:
♦ budget strategies
♦ draft revenue and capital estimates
♦ draft Local Policing Plan
♦ bids to the transitional costs fund.
Identify preferred option for provision of support services and discuss with the police authority.
Draw up detailed specifications for the services to be subject to competitive tendering and/or external contract; designate client-side managers for all contracted services.
Ensure that appropriate numbers and grades of staff are available to take the force through the hand-over period without disruption to services.
Prepare job descriptions and person specifications for any staff to be recruited to fulfil in-house support functions.
The Act paves the way for an extension of financial delegation.

Police forces that have devolved budgets have improved control of spending and made more effective use of resources.

Successful local financial management is not a stand-alone system but one element in a comprehensive framework of performance management and business planning.

Financial delegation needs to be supported by corporate standards and ground rules.
22. Although the Act and the Code of Practice give explicit encouragement to quicken the pace of financial delegation, this will not happen simply by exhortation. The Commission has therefore revisited a previous study to update its advice in this area.

23. Police authorities and forces have responsibility for the stewardship of public funds and to provide a quality policing service that delivers value for money. Good financial management requires not only that budgets are not spent inefficiently or overspent, but also that, in areas of demand-led activity, they are not unwittingly underspent. Across the public sector better alignment of financial and operational management responsibilities has improved financial management, and signalled a move away from the highly centralised controls that can inhibit value for money. However, delegation is not simply about better budget management. It is part of a framework of performance management and business planning that allows managers to take full responsibility for their decisions and the impact that these have (Box B).

**Box B**

**Prerequisites of successful delegation schemes**

Successful local financial management (LFM) is not a stand-alone system but one element in a comprehensive framework of performance management and business planning. LFM needs to be accompanied by:

♦ clear roles and accountabilities
♦ specific objectives and quantified targets, set out in a plan
♦ **measurable performance indicators to monitor performance**
♦ safeguards against excessive bureaucracy
♦ appropriate financial autonomy e.g. on virement and carry-forwards
♦ clear authorisation levels for prior approval of expenditure on individual items above a predetermined value
♦ ground rules about how and where purchases can be made
♦ policy guidelines and force standards in areas such as personnel

24. Police forces that have devolved some budget heads to local commanders have improved control of spending and, more importantly, made more effective use of resources. For example, in one force visited, carried-forward savings were applied to a partnership scheme for the provision of closed-circuit television in a city centre area. In most of the forces visited, however, there was no systematic evaluation of the outcomes of local resource decisions, to gauge the benefits of schemes such as the CCTV one referred to above. But there were many examples of LFM contributing to:
wider ownership of the budget, leading to cost-consciousness by all officers and better value for money, and encouraging a creative approach to seeking efficiency. LFM widens the understanding of the force’s financial position, so that balancing the books is not shrugged off as an HQ problem;

better budgetary control and a lessening of the ‘31st March syndrome’, whereby managers spend in a rush at the year-end lest their budgets are pruned the following year;

streamlined procedures to purchase small items of equipment;

savings on running costs that can be applied to the purchase of equipment to improve operational performance, and enhance the fabric of police buildings, benefiting employees and the public;

greater clarity about the increasingly strategic role of force HQ.

25. The main budget heads where tighter control and a commitment to efficiency have improved value for money are police overtime, energy, telephones, subsistence, vehicles and civilian pay (where vacancies have been carried and the savings retained locally). Ownership of the process by the ‘front-line’ officers, rather than exhortation from above, is essential. This is helped by publicising the tangible benefits and involving officers in decisions on how to apply any efficiency savings generated (Exhibit 3).
26. This handbook puts forward examples of good practice and encourages the spread of delegation. There are, however, potential drawbacks if the administration of LFM is over-bureaucratic and absorbs resources needed for work that more directly supports operations. Forces are aware of this but are often hampered in their efforts to streamline administration by difficulties with the host authority’s financial information systems. This problem may be compounded by inadequate training and support in financial administration, so that, for example, mistakes are made in coding transactions. Or there may be difficulties where LFM is not rooted in a robust system of performance management with clear corporate standards. For example, lack of clear ground rules encouraged one basic command unit\(^1\) (BCU) to make use of lost and found property such as answering machines with perhaps undue haste.

27. One way of avoiding these pitfalls is to establish a framework of corporate standards and ground rules, which make explicit the responsibilities and freedoms of budget managers and providers of support services (Exhibit 4, overleaf). This framework should be part of the force’s overall, long-term strategy. There would be little point, for example, in setting out the force’s guiding principles on equal opportunities if the lack of standards and ground rules meant that managers could ride roughshod over these principles. Corporate standards protect the wider interest and help to ensure consistency in the interpretation of force-wide policies, on matters additional to the operational standards with which officers are likely to be familiar. They apply to areas such as:

- **personnel practices** – local commanders may create significant problems for themselves and the force if they – perhaps unwittingly – depart from recognised good practice on personnel matters such as recruitment and equal opportunities. They need adequate briefing and support from HQ personnel officers to ensure that they are complying not only with force policies but also relevant legislation;

- **training** – where part of the training budget is delegated forces need to ensure that local commanders do not succumb to short-term financial pressures that store up problems for the future; for example, by reducing the number of training places taken up and jeopardising standards of professionalism and development in the longer-term. BCU commanders may be required to secure approval for annual or biennial training plans, to which they will be held to account as part of their appraisal;

- **health and safety** – police officers are trained to look after their own and their subordinates’ safety in operational settings, but many police managers may be unaware of the raft of regulations on health and safety in the workplace and in buildings used by members of the public. Fieldwork for the study found that in several BCUs responsibility had been devolved for maintenance and repair of premises, and purchase of potentially...
Budget managers should be guided by a combination of standards and ground rules...

Standards
- Personnel practices
- Training
- Health and safety
  - IT and vehicle compatibility
- Data protection

Ground Rules
- Adherence to corporate policy
- Mutual aid
- Accounting practices
- Purchasing practices
- Income generation

hazardous cleaning materials, without any accompanying guidance on health and safety issues;

**data protection** – police forces are making increasing use of IT, and it is no longer the preserve of the specialist. As access to IT systems spreads throughout a force there is a need to brief officers at regular intervals on both the requirements of the Data Protection Act 1984 and the need to maintain the integrity of the force’s databases. Where information that is collected and input locally is also needed centrally, or is shared across the force, there should be common definitions and records to avoid duplication of data entry. Security measures to protect stored data are routinely applied in central IT sections but local users may be ignorant of the essential requirements until they learn by bitter experience.

**IT and vehicle compatibility** – forces need to strike a balance between local discretion and force-wide compatibility on purchasing decisions, particularly on IT and vehicles. Local commanders may, for example, be encouraged to vire savings into enhancement of their IT provision, but the IT manager should always be consulted to protect technology standards and avoid maverick purchasing decisions.

28. Ground rules ensure adherence to force policies and also regulate the decision-making and purchasing behaviour of managers who, in large BCUs, have spending power of several million pounds. Too much latitude on local purchasing may result in the loss of bulk purchasing economies.
The need for ground rules

both for major items such as vehicle purchases and smaller items such as stationery or petrol. A force can, however, gradually increase the degrees of freedom given by the ground rules as the principles underpinning them become better understood. Ground rules should be detailed in the authority’s financial regulations and the force’s financial instructions, and cover areas such as:

**mutual aid between BCUs** – a police force is more than a grouping of command units and parochialism needs to be discouraged, otherwise corporate responses to force-wide problems can be impaired. In addition, a determination to look after BCU interests in isolation from the force’s wider needs could lead a to bureaucratic nightmare as BCUs seek to recoup every penny spent in providing assistance to their neighbours;

**accounting practices** – including rules on virement and carrying forward of savings or overspends, coding of expenditure, the provision of monitoring information and compliance with any financial arrangements governing the provision of support services to front-line service deliverers. The police authority treasurer has a statutory responsibility to ensure proper financial administration and should be satisfied with the ground rules laid down and with procedures to monitor adherence to them;

**purchasing practices** – the latitude given to BCUs to make more local purchasing decisions needs to be accompanied by information about, and encouragement to exploit, bulk purchasing opportunities. Under LFM, the central purchasing expertise should facilitate rather than dictate decisions on local purchasing.
Checklist for action

1. **LFM should be accompanied by:**
   - clear roles and accountabilities
   - specific objectives and quantified targets, set out in a business plan
   - the use of measurable performance indicators to monitor performance
   - a good management information system
   - appropriate financial autonomy on e.g. virement, the limits on which should be reviewed regularly
   - clear authorisation levels for prior approval of expenditure on individual items above a predetermined value
   - ground rules about how and where purchases can be made
   - policy guidelines in areas such as personnel.

2. Forces should evaluate both the value for money and possible operational benefits flowing from resource decisions that have been delegated.

3. BCU management teams and departmental heads need to guard against the administrative effort on LFM becoming over-bureaucratic.

4. Officers should be encouraged to submit ideas for improved management of resources – for example, through suggestion schemes, shift briefings, quality circles etc.

5. BCU commanders should involve all officers, as far as is practicable, in decisions about how to apply any efficiency savings generated.

6. A comprehensive framework of corporate standards is needed to ensure that policy decisions in areas such as recruitment, training, data protection and equal opportunities are applied consistently across the force.

7. Forces should establish clear ground rules for purchase of IT equipment and application of common definitions and data records; for example, the IT manager should always be consulted before key purchasing decisions are taken. Opportunities should be taken to benefit from bulk purchasing. Rules on accounting and purchasing procedures should be approved by the police authority treasurer.

8. The procedure for providing mutual assistance between command units should be easy to manage and be seen to be equitable.
There has been significant progress in the last three years on financial delegation, but some forces are not exploiting the full potential of LFM.

Basic command units deliver the bulk of policing services but control only 10% of expenditure.

The Police and Magistrates' Courts Act will remove the controls that effectively prevented the delegation of police staffing costs. Forces should consider extending delegation to this area.

3 The Scope of Financial Delegation
29. In 1991, only about half of provincial forces practised local financial management. There has been significant progress in the last three years and all provincial forces have commenced delegation of some budgets. There is nevertheless considerable variation in the percentage of total expenditure delegated to the main deliverer of policing services, the BCU; the range is from just under 5% to 15%, with an average of 9.5% (Exhibit 5). National figures collected by HMIC show a similar variation. If police pay and pensions, which no provincial force has delegated, are excluded, the average delegated to BCUs is around 30%.

30. Whilst there must be an element of local judgement about the degree of delegation that is feasible and beneficial, some forces appear to be failing to exploit the full potential of LFM. However, caution is needed in interpreting national figures; some forces describe particular budget heads as delegated because the expenditure is shown at BCU level, even though the local commander may have little or no discretion to vire, overspend or underspend this budget. Delegation is better identified as a spectrum of control, rather a simple polarisation into centralised or decentralised systems (Exhibit 6).

31. If the fieldwork forces are typical, the national picture is one in which around £450 million of the £4.6 billion gross revenue expenditure (1994/95) by provincial forces is managed by local commanders (Exhibit 7). In addition, some budgets are delegated to HQ departments, such as CID or scientific support, which have a predominantly operational role. Where this delegation aligns financial and managerial responsibilities it falls clearly within a framework of good practice in LFM and is to be commended. The arguments for extending the scope of LFM apply equally to departmental budgets, but the emphasis here is on the extent to which force resources have been devolved to front-line policing, rather than suppliers of support services. Here, variations exist in the total amounts and percentages delegated, and also in the types of budget devolved (Exhibit 8, page 30).

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Exhibit 5
Percentage of study forces’ revenue budgets delegated to basic command units

There is still wide variation in the extent of delegation ...

Source: Audit Commission analysis of data from study forces, 1994
There are degrees of delegation, culminating in extensive LFM where the local manager is given a bottom-line expenditure figure and determines internal allocations ...

32. Although the trend is inexorably away from hands-on management by HQ finance teams towards a dual role of strategic oversight of resources and effective support of front-line managers, there will remain elements of the force budget which need to be treated as core HQ functions and controlled from the centre. This reflects the principle that the essence of delegation is alignment of financial with managerial accountability, and not delegation for its own sake. The main budgets unsuitable for delegation are:

♦ major capital expenditure e.g. major building and maintenance projects;
♦ police pensions, which are not subject to local control;
♦ capital financing charges;
♦ contingency fund to cover unforeseen operational demands, especially a need to pay for overtime which exceeds the local capacity to finance;
♦ core training costs, notably for probationer training.

Phases of delegation

33. Typically, forces have introduced financial delegation gradually, beginning with areas for which costs at BCU-level were identifiable and which were controllable by local managers — two of the prerequisites for delegating expenditure. In most forces, these were budgets such as police overtime, car allowances and heating and lighting. The gradual approach also afforded time to adapt financial information systems to local management needs, and provide training to budget holders. In some forces local commanders were informed of expenditure against centrally-controlled budget heads before the budgets were delegated, so that they could see the level and pattern of spending. In effect they were able to shadow each budget before assuming control over it. This approach...
The budget heads delegated to local commanders vary from force to force ...

Source: Audit Commission analysis of data from 10 study forces
3 The Scope of Financial Delegation

boosted commanders’ confidence about what they were taking on, and provided them with an informed basis on which to discuss proposed allocations.

34. Initially, cultural resistance to LFM was an obstacle — resistance from HQ staff reluctant to let go of the reins, and from local commanders who did not want to be encumbered with financial responsibilities. But experience has changed attitudes. Interviews undertaken in study forces in 1994 revealed a widespread acceptance of LFM and, indeed, a considerable appetite for more delegation. There is also a move towards delegation further down the chain of command — for example, many overtime budgets are now controlled by shift inspectors.

35. LFM could be described as having three phases, each characterised by degrees of delegation and different managerial approaches (Exhibit 9). As LFM matures, the emphasis moves from budget control to resource management, and the strategic role of force HQ is thrown into sharper relief. All forces are now ‘out of the starting blocks’ but a significant number are still in Phase I. A smaller number have exploited the full potential of Phase II and are considering maximum feasible delegation, where the predisposition is to delegate all budgets except those for which there is a robust rationale for central control.

36. The willingness to explore the benefits from extending delegation is illustrated by two interesting initiatives, one which devolves budgets for non-mandatory training and the other which brings premises costs into LFM. Greater Manchester Police has established a ‘Training Agency’ in an effort to move towards a purchaser-provider relationship that gives BCU commanders some purchasing power. Following analysis of both the direct and overhead costs of the force training provision, a price list was prepared on a full cost recovery basis for a range of training courses. Part

**Extending delegation: training, premises and transport**

**Exhibit 9**

*Three phases of delegation*

<table>
<thead>
<tr>
<th>Phase</th>
<th>Type of budget delegated</th>
<th>Managerial characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Police overtime, heating and lighting, minor repairs</td>
<td>Emphasis on <em>budgetary control</em>: strong HQ influence, limited virement, prior authorisation required to spend.</td>
</tr>
<tr>
<td>II</td>
<td>Civilian pay, transport, training</td>
<td>HQ loosens reins; shift of emphasis to <em>resource management</em>; considerable scope for virement but some prior authorisation needed.</td>
</tr>
<tr>
<td>III</td>
<td>Maximum feasible devolution including core staffing (but excluding pensions)</td>
<td>HQ role becomes more explicitly strategic; BCU commander is the key resource manager; business plans are the vehicle by which expenditure is authorised.</td>
</tr>
</tbody>
</table>

|
of the overall training budget was devolved and, from April 1994, commanders have purchased places on discretionary courses. In West Yorkshire, work is underway on a Force Building Plan that will eventually devolve tenant costs to building users (Box C). The intention is also to offer local commanders greater discretion to make the best use of available space.

37. A source of frustration for many police officers is the difficulty in getting the right type and mix of vehicles to meet their operational needs. The standard liveried patrol car should be subject to bulk purchase agreements to secure the most economical deal, and HQ needs to take a strategic overview of fleet management; but some commanders are pressing for greater control over, for example, how many patrol cars they take, substituting an entitlement to a patrol car for an unmarked vehicle. Kent is responding to this demand with a form of delegated fleet management. BCU's with the appropriate financial capacity can acquire additional vehicles or alter their mix of vehicles, subject to:

- adherence to a core vehicle requirement and technical standards set by HQ;
- any limitations imposed by contract or leasing requirements.

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**Box C**

Bringing accommodation costs within LFM in one force

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*Source: West Yorkshire Police*
38. Some officers believe that they are reaching the limits of delegation by devolving to BCUs significant elements of the running costs and equipment budgets. But these consume a relatively small fraction of a typical force budget. The bulk of revenue expenditure is accounted for by staffing costs, and especially police officers’ pay and allowances, which are typically between 55% and 60% even when police pensions are excluded (Exhibit 10). Some managers now want to explore the feasibility of delegating at least part of this element, giving local commanders influence over numbers and mix of staff – though not necessarily the payroll function, and certainly not the power to set or vary terms and conditions of employment, which are subject to national negotiation.

39. Many forces have followed the delegation of civilian overtime by including civilian pay within LFM, learning lessons from the inefficiencies which can arise when only part of a staffing budget is devolved. For example, in one force where only civilian overtime was delegated, local managers had a strong incentive to use agency staff to cover peaks of work, because the money for these came from a centrally-held pay budget rather than the locally-managed overtime budget. Conversely, savings from vacancies accrued centrally even though the local effect was to increase demand for overtime working. As a point of good practice, a BCU should be encouraged to ‘consume its own smoke’ and not be given the opportunity to exploit separate management of central and local budgets.

40. It has not been feasible to delegate core police staffing because Home Office regulations controlled both the total number of officers and the establishment within each rank. Central control was essential to ensure that these regulations were not breached. However, the Police and Magistrates’ Courts Act removes these controls; police authorities and chief constables will now have the responsibility of deciding the appropriate number and mix of staff within their cash-limited budget. This offers opportunities to bring elements of the core staffing budget within the scope of LFM.

**Opportunities and risks in delegating police staffing budgets**

41. The arguments in favour of delegating follow the general logic of LFM – the principle that those officers who make operational decisions and are directly responsible for their success should do so knowing their financial implications. More specifically, advocates of delegation argue that:

- local management teams know best what resources are needed;
- devolution would encourage managers to pursue the optimal mix of police officers and civilians, and try to bring about better matching of resources to demands – for example, in the use of part-time police officers;
The largest single item of revenue expenditure is police pay

- awareness of the opportunity costs of police officers would be enhanced, thus helping to optimise their deployment;
- there would be a greater pressure on HQ to minimise abstractions from BCUs to meet ad hoc needs at the centre.

42. Some opposition to the delegation of core staffing decisions is based upon constitutional and strategic concerns. Constitutionally, the chief constable is responsible in law for the direction and control of the force, and some resourcing decisions must be his alone. However, chief constables quite clearly do delegate the bulk of operational decisions to subordinates, so this point may not be compelling in practice. The first strategic issue is the need for long-term, force-wide strategies and policing plans, including human resources planning; decisions to spend now on recruitment will incur revenue commitments for a long time ahead, but local commanders may have only short-term planning horizons. The second is the need to deploy resources around the force to meet emergencies or changes in circumstances. Giving local commanders almost complete control of resources and decision-making could erode corporate cohesion and induce a degree of parochialism – creating a set of ‘mini constabularies’ that runs counter to effective policing.
43. There are also some practical problems to address:

♦ individual career development may be impeded if moves around the force become more difficult to arrange;

♦ in many forces the personnel and financial information systems would have to be upgraded;

♦ police officers cannot be employed 'off the street' to meet immediate needs; there is a time lag of at least six months from a decision to recruit officers before they are available for duty, and of eighteen months before they can be deployed without supervision;

♦ command units could face additional bureaucratic burdens in monitoring and recharging the costs of mutual assistance between command units;

♦ the example of some schools' reaction to the introduction of local management, of employing cheaper but less experienced staff, illustrates the pressure to take short-term financial decisions.

44. These concerns must be addressed but they should not necessarily rule out devolution in the longer term. Appropriate safeguards could be put in place which ensured that commitments were not entered into lightly, the most important being that local commanders sign up to corporate policy and recognise that the needs of the force as a whole are paramount; adherence to force objectives must be rigorous. Delegation is far from being an abdication of responsibility by HQ – instead it replaces hands-on control with a reliance upon clear accountabilities and effective performance management systems.

45. Delegation of police staffing budgets would therefore need to be accompanied by limits to local discretion so that the force's overall interests were safeguarded. Such limitations might include:

♦ tolerance thresholds limiting variation of the initial establishment of police officers;

♦ restrictions on virement out of the employee budget other than for one-off purchases; for example, ensuring that windfall savings from carrying vacancies are not used to enter into long-term contracts or leases for, say, vehicles, as this would restrict later room for manoeuvre on bringing establishment back to strength;

♦ allowance for a specified amount of mutual aid (i.e. deployment of officers to other BCUs) before any recharge mechanism is activated, to avoid invoices criss-crossing the force for every hour of mutual aid;

♦ monitoring mutual aid movements regularly and identifying the extent of 'debts and credits' between BCUs, to try and ensure that as far as is practicable, abstraction levels are even across BCUs;
management Handbook

Cheques and Balances

♦ limits on the number or percentage of probationers attached to a BCU;

♦ a requirement on each BCU that it can be asked to supply a specified number of police officers at any one time for deployment by HQ;

♦ discouragement from using excessive overtime rather than staffing up; overtime can be cost-effective in the short-term, but may impair the emergency response capacity and produce an overtime-dependent culture with potential sickness problems as a result.

46. Even with such safeguards in place, full-scale delegation may still appear an unpalatable option to some chief constables. It is still relatively untested outside London, and the Metropolitan Police’s total resource budget initiative is the only case study which provincial forces can draw upon (Box D). Although this scheme offers some pointers as to how devolution can work, the large average size of command units in the Metropolitan Police affords a degree of flexibility that would not be available to small forces. The experience of delegating police overtime and the civilian pay budget in two or more phases suggests that some of the unease may be abated if delegation proceeds cautiously, in incremental stages and with the sine qua non that it delivers real benefits to the quality of policing at BCU level. The incremental approach offers the possibility of unlocking some of the benefits without embracing full-scale delegation (Exhibit 11).

Exhibit 11
Four stages in delegating police staffing

Delegation of control over police staffing levels could be tackled in stages ...

| Stage I | The agreed establishment and full costs of police officers are shown in BCU budget, but the BCU commander has no power to vary these. Savings from vacancies accrue to HQ. |
| Stage II | Savings from vacancies are retained locally, to be carried forward or vired into other budget heads. |
| Stage III | Initial establishment is set by HQ; BCU commander can vary it within agreed limits e.g. by no more than 2% of initial strength. Pay and other conditions would still be subject to national agreements. |
| Stage IV | After top-slicing for HQ costs, an objective formula – perhaps similar to the national formula being developed for distribution of police grant – is used to determine how the remaining budget is to be allocated to territorial units. BCU commander then has complete control of these resources, including staffing levels but must work within a corporate framework of standards covering personnel policy, training, mutual aid etc. |
Box D
Delegating police staffing controls: case study of the Metropolitan Police Service’s total resource budget scheme

Background
The Metropolitan Police Service (the MPS) employs 28,000 police officers and 15,000 civilians, and has a gross budget in 1994/95 of some £1.9 billion. Until recently it was structured around 68 command units, called divisions, in eight Areas, but restructuring is underway to reduce the number of Areas to five. Prior to 1988 all expenditure was controlled centrally with the exception of overtime and mileage allowances. In 1988 the MPS embarked on a gradual process of delegation with the ultimate aim of devolving all its budget to operational units and other management units. During 1994/95, £979 million (51% of the total budget) will be delegated to operational command units and a further £23 million to HQ operational command units and support branches. The latter figure will rise when all support departments are given budgets in April 1996.

Total Resource Budgets
The philosophy underpinning total resource budgets (TRBs) is that successful management of MPS resources requires managers to be directly accountable for their total costs. TRBs provide divisional commanders with annual cost limits covering the full range of resources available to them. Commanders’ accountability is related to the ‘bottom line’ of their TRBs - they are able to adjust the distribution of resources to meet changing priorities, provided that they do not exceed their cost limit and keep within constraints imposed by the MPS Policy Board.

Crucial to the success of TRBs is a cost-centre accounting system which allocates expenditure to around 400 cost centres throughout the MPS. The system currently identifies and allocates over 80% of total costs; all costs will be allocated when the final stage of cost-centre accounting is completed in April 1996. The costs of the entire service will then be attributed to individual managers.

The MPS has identified three main factors upon which the success of TRBs depends:

- the allocation of resources to command units and other management units must be both straightforward and equitable;
- TRBs must be linked to a performance reporting system which will show whether resources are being used effectively, and that both VFM and operational objectives are being achieved;
- TRBs must offer managers real benefits, including a demonstrable increase in their control over the use of resources. In addition, the MPS recognises the importance of adequate training and accurate, timely financial information.

TRBs in practice – devolved staffing budgets
Budget managers have many of the freedoms associated with LFM to move money around their budgets and make local decisions about how resources should be used. What distinguishes the MPS’s scheme from the range of LFM initiatives in provincial forces is that local commanders also have some flexibility over staffing expenditure – for police officers as well as civilians – and a capacity to redeploy funds into and out of their staffing budget.

In February each year the divisions report their strength and the Personnel Department then use average costs per rank/grade to arrive at the initial staffing budget. (From 1996, actual staff costs will be used.) Commanders can then vary the mix of police and civilian staff up to and including the rank of sergeant or executive officer grade. Additional posts can be created and existing posts may be reduced or regraded. Up to 1% of the initial pay and allowances budget – typically around £90,000 a year – can be vired to other budget heads or 0.5% of the initial devolved pay budget vired from other items.

The flexibility offered by this scheme was illustrated by one division which calculated that by surrendering six station-bound police officer posts, twelve extra civilians could be recruited. Six of these would perform the duties of those police posts surrendered and the rest would free a further six station-bound police officers for patrol duties.

Source: Metropolitan Police Service and National Audit Office
Checklist for action

1. Is the expenditure delegated to BCUs at or above the benchmark emerging from fieldwork sites of 30% of the budget excluding police pay and pensions?

2. Is there a predisposition to extend delegation? Does the force have plans to extend the scope of LFM, for example to:
   ♦ premises costs
   ♦ elements of the transport budget
   ♦ discretionary training?

3. Have the constraints on extending delegation been identified; are departmental heads and BCU commanders consulted about extending the scope of LFM?

4. Where possible, forces should allow BCU commanders to 'shadow' a budget prior to its being delegated, so that they are familiar with the level and pattern of spending.

5. The force management team should consider the pros and cons of delegating elements of police staffing, seeking the views of BCU commanders as part of this process. At a minimum, there should be provision to apply locally (at least a share of) savings from vacancies rather than having automatic clawback by the centre.

6. Where possible, the force's personnel information system should allow managers to track officers' deployments accurately.
Many financial information systems need to be improved to support delegated budgeting.

Forces need to set down clear guidance on issues such as authorisation of payments, virement and carry-forwards. They also need to provide adequate administrative support to local commanders.

4 The Financial Control Framework
47. The introduction of local financial management has exposed deficiencies in financial information systems, many of which are neither user-friendly nor tailored to a devolved regime. Developing a more responsive framework of financial control is therefore an important task if forces are to progress with LFM. To put a sound framework in place, authorities and forces need to:
   ♦ determine appropriate levels of financial responsibility;
   ♦ produce formal guidelines which set out rights and responsibilities;
   ♦ decentralise financial expertise, clarifying the role of HQ finance teams and police authority staff, and providing appropriate training and support;
   ♦ agree the basis for the allocation of budget heads;
   ♦ devise appropriate rules for virement and carry-forwards;
   ♦ meet managers’ needs for accurate and timely financial information.

48. In making decisions about appropriate levels of responsibility the principle is not to delegate for the sake of doing so, but to make financial responsibility match the reality of management control. In one study force, the rent and rates budgets had been delegated to BCU commanders even though they had no control over the charges levied, nor could they declare a property surplus to requirements or let spare accommodation in police buildings. The police overtime budget offers another common example. Often the budget holder is the Chief Inspector (Operations) but authorisation to work overtime rests with shift inspectors, who are thus distanced from the financial consequences of their decisions. In one force, all CID overtime budgets – including BCU-based detectives’ overtime – are controlled by HQ officers, even though they do not have line management responsibilities.

49. It is essential that individual post-holders are clear about their financial responsibilities, including levels of authorisation. This can be done through annual letters of authorisation to budget holders, setting out details of responsibilities, virement etc. (Box E).

50. Financial regulations and cost-centre structures are rarely user-friendly documents, even for finance officers, and yet they are essential for budget management. Most forces produce guidelines or handbooks; to be most helpful these should be both comprehensive and easy to use and update – for example, by using ring-binders rather than bound documents. In one study force, the Manual of Guidance was 90 pages long, in A4 thermal-bound format and without section dividers to assist in finding a particular section. Such formats do not encourage police managers to use them as working documents. A better example is the handbook produced by Surrey Police, which is 12 pages of A4 and contains core information on key responsibilities and definitions of technical terms (Box F on page 42).
Box E
Illustrative letter of authorisation to budget holders

To the Budget Holder:
The Chief Constable is accountable to the Police Authority for the financial control of the force’s affairs, working within the regulations laid down by the Authority and its Treasurer, who has a statutory responsibility to ensure proper financial administration. The Chief Constable has delegated day to day management of the force’s finances to his principal financial adviser, the Director of Finance.

This letter sets out your powers and responsibilities as a budget holder.

1. You are responsible to the Chief Constable for the operational, administrative and financial management of the police units and departments placed under your control (as listed in the attached Annex); and you are accountable to the Chief Constable for the money and other tangible resources placed at your disposal.

2. Annual budgets for the cost centre(s) under your control will be made available to you before the financial year begins, and you are accountable for controlling expenditure so that total cash limits are not breached.

3. You are authorised to commit the force to revenue expenditure in the following categories, and authorise the consequent payments in accordance with the force’s Financial Instructions:
   (details of delegated budget heads and levels of expenditure above which authorisation is required from HQ).

4. You may delegate control of parts of these budgets to other officers or civilian staff under your management. This must be done in writing and must specify the heads of expenditure and the expenditure limits within their control.

5. Virement between budget heads is permitted within the following guidelines; full details of all aspects of virement are set out in the Financial Instructions and you should familiarise yourself with them:
   (summary of virement rules; what requires HQ sanction).

6. Although you have considerable freedom in respect of purchasing, you are required to conform with Force Technical Standards in the following areas:
   (details of restrictions on procurement e.g. of IT equipment).

This letter must be acknowledged in writing by the recipient.

Source: adapted from letter used in Kent County Constabulary
51. Finance has traditionally been the preserve of accountants, and non-accountants often shy away from what they see as a specialist area of work. But as many police managers have found, budget management does not have to be shrouded in mystique – quite simple techniques are all that are needed to monitor budgets. But effective resource management is helped by access to expert advice, and appropriate training is essential. Such advice on financial management and accounting exists in three main centres for most forces:
the police authority treasurer is accountable to the authority for the proper administration of the force's financial affairs and has the statutory responsibility for closing the accounts at the year end. In many forces the treasurer's staff provide specialist support in treasury management, payroll and a wide range of general accountancy matters. The treasurer's advice should be sought on significant matters such as the development of financial information systems and preparation for CCT;

the force finance team provides strategic advice direct to the chief constable on financial issues, assists in drawing up annual budgets and monitors expenditure. The importance of this role is emphasised in the Code of Practice on Financial Management, which recommends that the senior finance officer be a member of the force policy team. Force finance officers also offer ad hoc support and advice to delegated budget holders on, for example, coding of transactions;

BCU finance/admin. officers have an increasing role in local budgetary control and are the principal support to the BCU commander on non-operational management issues, often replacing the traditional post of Chief Inspector (Admin.). In some forces, the Director of Finance has a 'head of profession' relationship with these local finance staff, some of whom hold relevant qualifications such as AAT (accounting technicians) membership.

52. The delegation of budgetary management responsibilities has not always been accompanied by a significant transfer of finance or administrative staff from HQ to local command units. In some forces the local administrative manager post has been upgraded to reflect the expansion of the role, the cost being borne by the BCU and met from savings arising from better budget management. LFM has therefore been largely cost-neutral unless significant expenditure to improve the financial accounting system and equipment was required. There is a fixed amount of work associated with LFM that is not substantially altered by the number of officers in the BCU or the total value of the budgets being managed; larger BCUs therefore benefit from economies of scale in support staff (Exhibit 12 overleaf).

53. Most budget managers in the study forces were very satisfied with the support received from HQ Finance, especially where initiatives such as help desks – to deal with one-off queries on coding, VAT etc. – or nominated link officers had been introduced. Training was also generally regarded as adequate and sometimes excellent (Box G, page 45). Where additional training needs were identified, these tended not to be on the mechanics of budgeting but in techniques such as cost-benefit analysis that may help inform decisions on the use of resources, and training in the use of software packages such as spreadsheets. The appropriate level is likely to be basic introduction or awareness training rather than advanced applications, and could be tackled in one-day sessions.
54. Previously, the process of drawing up a force's annual revenue budget mirrored the preparation of departmental and council estimates in local government, with the added complication of Home Office controls over police officer establishment. The requirements of the Police and Magistrates' Courts Act will not entail significant changes to the budgetary cycle but do require chief constables to link operational priorities more explicitly to resource allocation when formulating annual plans. This new requirement is likely to widen the scope of internal consultation on the budget – few BCU commanders reported that they had been significantly involved in the annual budget process; rather they were informed of the outcome.

55. The allocation of delegated budget shares between command units and headquarters departments can cause problems. Firstly, the allocation of detailed 'mini-budgets' can lock the force into a pattern of spending and ways of doing things that stifle creative approaches and may not deliver the best use of resources. Secondly, the calculation of who gets what is rarely an exact science and can lead to protracted arguments. Commanders are rarely involved in determining the basis of allocation; one of those interviewed suggested that disputes about the equity of distribution would be better resolved around the table than in separate dialogue between each BCU and HQ Finance.

56. The allocation is usually derived in one of four ways:

- *historic costs*; 'you spent this much on telephones last year, so you're getting the same amount plus inflation in your budget this year';
- *per capita*; some spending may be linked directly to the number of staff – travel and subsistence costs, for example;
- *formula calculation*; some budgets can most appropriately be allocated using an objective formula based on proven need. For example, cleaning costs are often based upon the floor areas of the relevant buildings; transport costs can be delegated according to vehicle type and associated fuel consumption, maintenance schedule, depreciation and insurance costs;
- *surveys of specific needs*; surveys are used least often because they are expensive to undertake, but may be the only fair way to allocate budgets such as building maintenance, which are largely dependent upon the fabric of the buildings.

57. As a general rule, the use of historic costs, which may perpetuate anomalies in the original allocations, should be minimised in favour of allocations based on more objective assessment of needs. In some instances the allocation may use a combination of one or more bases; there is not an undisputed best method of allocation for every budget head.
Typically, the largest budget allocated to command units is that for police overtime, but forces sometimes experience difficulties, both in getting the initial allocation right and subsequently monitoring it, due to the inadequacy of the management information system. Conventionally, overtime is allocated in hours – simple to understand and use from the operational standpoint, but a potential nightmare for finance officers who have to reconcile delegated hours with a cash allocation that could only be a guesstimate of the average hourly cost of the overtime actually worked. One point often overlooked when overtime is allocated from HQ contingency funds is that there are knock-on expenses associated with overtime working, notably travelling and subsistence costs, which may be borne by the BCU. One force automatically supplements these allocations at the same time that overtime is authorised.
59. To achieve the full benefits from LFM the financial management structure should align with the operational command structure, and the financial control framework should ensure that:

♦ the force’s financial information system can identify costs associated with territorial units and other operational activities, such as headquarters CID, under a comprehensive cost-code structure;

♦ each activity or cost-centre budget is controlled by one, and only one, named budget holder who understands his/her role within the overall framework;

♦ monitoring reports separate the expenditure items for which the budget holder is directly responsible and can influence from those that he or she cannot influence, which should be managed elsewhere.

60. Forces have had mixed success in meeting these requirements, often due to difficulties in adapting financial information systems to meet the needs of LFM. The anxiety that police managers would be lax in exercising budgetary control – a role for which training was often limited – has not been borne out. If anything, many budget holders are over-cautious to the point where value for money improvement opportunities are not exploited fully.

61. In Police Paper No. 10, the Commission criticised the over-restrictive virement and carry-forward rules imposed by many police authorities’ financial regulations. This situation has changed over the last three to four years; none of the ten study forces expressed a view that LFM was being impeded by this type of constraint, although HMIC reports suggest that this is not the case in all forces. Local commanders also enjoy greater discretion within force financial instructions, especially on virement. This has been helped by the trend towards grouping budget heads into 'families' with almost unlimited freedom to vire within these families. Greater Manchester Police, for example, groups delegated budgets under three main headings: employee-related, premises-related and operational. Several other good practice points emerge in respect of monitoring:

♦ BCU commanders should include budget monitoring on every management team agenda;

♦ the quality of budget management should be an element in local commanders’ annual appraisals; at the most basic level this could be measured by the extent that spending is kept within budget, but ideally commanders should be required to demonstrate initiative and be able to identify the operational benefits accruing from sound financial management;

♦ the most effective monitoring arrangements tend to exist where local managers have on-line access to the main financial accounting system, and where accruals and commitments are shown on the regular tabulations; unless the force has a financial information system that incorporates accruals and commitments, it may be prudent to exercise restraint on
The Financial Control Framework

Delegation requires better financial information at BCU level

substantial virements in the last two months of the financial year. Otherwise the force may find that 'savings' used, for example, to purchase equipment were not savings after all but rather were offset by unnoticed commitments.

62. The picture on carrying forward savings is mixed. In several forces commanders did not feel confident that underspends would not be clawed back by HQ. In one force a maximum carry-forward of 10% of the total delegated budget had been set; although this would be regarded in some circumstances as a generous provision, several BCUs were likely to lose significant sums as a result. Another force does not permit automatic carry-forward of savings, but if the total delegated budget is underspent then BCUs can, at the discretion of HQ, be rewarded by being allowed to carry forward up to a maximum of £5,000. The policy on carrying forward savings and overspends will need to reviewed before April 1995, when all police authorities will be free-standing authorities and there will be no county council contingency fund to draw upon to cover overspending.

63. Inaccurate or out of date financial information may lead managers to reach the wrong conclusions about their budgetary position and thus make the wrong decisions. Badly presented reports can make it difficult both for budget managers to control their spending and for senior officers to supervise overall financial performance. If there is an Achilles' heel in implementing LFM, it is the poor quality of the financial information systems (FIS) currently available to forces; few score highly on a good practice checklist (Exhibit 13, overleaf). Three particular causes can be identified. Firstly, unless the force has benefited from a recent IT upgrade, the FIS is likely to be geared to centrally-controlled budget management and requires considerable fine-tuning to deliver delegated budget information. Secondly, when money does become available for IT, there is tremendous pressure to apply it to operational purposes – for example, to improve the command and control system or computerise intelligence.
databases. Not surprisingly, early indications are that IT enhancement to provide better financial and management information is high on the 'shopping lists' for the transition fund. Thirdly, police managers are often unsure what information to ask for; in the words of one county council treasurer, 'the police tend not to be very demanding about the kind of financial information they want.' At BCU level, staff are resigned to translating centrally-produced FIS reports to make them understandable.

64. Spending against some items in the budget, such as rent and rates, is spread evenly throughout the year, whereas spending on other items can be very lumpy; heating bills are an obvious example. Budget managers can be helped to accommodate these variations through budget profiling, in which previous expenditure patterns are used to predict the likely incidence of spending in the coming year. This technique is commonly used and well understood. Registering commitments is more problematic. Where commitments - such as an order placed with a supplier - are not reflected in monitoring reports until the invoice has been paid the money that should have been earmarked to pay for that order may inadvertently be spent on other things. Computerised systems in which all such commitments are entered into the system immediately are commonplace in the private sector but still a rarity in police forces. However, the difficulties encountered in having to maintain a manual record of commitments (a local 'black book') can be overstated. None of the study forces reported this to be a problem, and there was no evidence of financial disaster resulting from inaccurate records of commitments or failure to take them into account.

Exhibit 13
Good practice checklist for financial information

Financial information must be geared to the needs of the user, not the producer ...
Checklist for action

1. Responsibility to authorise or incur expenditure (e.g. for overtime) should be matched to budgetary responsibility. Job descriptions should spell out the financial management responsibilities of post-holders, including their authorisation levels.

2. A handbook or guidance manual on LFM should be available in a format which is easy to use and to update.

3. Forces should have consistent criteria to determine administrative support for LFM across the force, and review the position at regular intervals. They may find it useful to nominate a link officer in HQ Finance for each BCU.

4. Forces should identify the number of LFM finance/admin. officers holding an accountancy or other relevant qualification; requirement for such a qualification should be considered as the scope and complexity of LFM expands.

5. Training needs assessments should include financial management and business planning; budget managers should all receive training in LFM, with refresher courses available for recently-appointed budget managers.

6. BCU commanders and heads of department should be involved at an early stage in the annual budget-setting process.

7. The use of historic cost and per capita allocations should be minimised in favour of needs-based formulae to allocate devolved budgets.

8. Overtime should be allocated in cash rather than hours to aid monitoring.

9. The cost-code structure should enable the force to identify costs associated with territorial units and departments.

10. Each budget should be controlled by one named budget holder who understands his/her role within the overall framework; budget management should be an element in annual appraisals.

11. Monitoring reports should clearly identify expenditure items for which the budget holder is directly responsible.
Where possible, budget heads should be grouped together to facilitate overall management and permit significant virement without reference to HQ. Virement levels should be reviewed regularly.

Force policy on carrying forward savings and overspends may need to be reviewed in the light of the free-standing status of new police authorities. The mechanisms for recording accruals and commitments must provide adequate safeguards against unwitting overspends.

Budget managers should be canvassed about the quality, accuracy and frequency of financial monitoring information provided to them, and action taken to address inadequacies.
Business plans should be developed as part of the framework of delegated management; BCU plans are building blocks in force plans.

Every police authority will have to issue a Local Policing Plan which sets out what the force aims to achieve, the resources available and how achievement of the objectives will be measured.

Methods of costing police activities will need to be improved, but it is possible to show the broad allocation of resources to key operational areas by analysis of existing data.

5 Police Planning – the New Framework
65. The present framework for the management of the police service is the tripartite structure set out in the 1964 Police Act, which shared responsibilities between the Home Secretary, police authorities and chief constables. This framework was put under the microscope in the White Paper on Police Reform; the conclusion drawn was that lines of accountability were uncertain and the flexibility of that framework was being stretched to the limit. A number of reforms were proposed, many of which are contained in the Police and Magistrates' Courts Act. This retains the tripartite arrangements but seeks to focus police effort in key operational areas, clarify roles and accountabilities and generally provide a more modern management framework for policing. A principal mechanism for achieving these improvements is to be the Local Policing Plan, agreed between the authority and the chief constable; this publicises policing priorities for the area, and identifies performance targets for which the chief constable will be held to account.

66. Details of this new statutory requirement are set out below. But Local Policing Plans are most likely to fulfil the role devised for them if the process of formulation, consultation and agreement builds upon the strengths of existing planning approaches within the police service. Therefore this section of the handbook examines existing planning processes before considering the specific requirements for Local Policing Plans. It covers:

- existing planning processes in the police service, and their weaknesses;
- the wider context of performance management and business planning;
- the new statutory requirement for Local Policing Plans;
- aligning current planning mechanisms with Local Policing Plans;
- costing Local Policing Plans.

Planning processes in the police service

To avoid confusion, the police authority's statutory plan will be referred to throughout as the Local Policing Plan or LPP, to distinguish it from existing policing plans.

The Quality of Service programme is now overseen by a full committee of ACPO and has undertaken a range of initiatives to advise forces on, for example, public survey methods, development of qualitative PI's, and ways to improve internal management and consultation.

67. Policing plans are not a new concept. Most if not all forces have an array of strategic and operational plans; in addition many forces have produced force charters to publicise their priorities and standards to their local communities. Throughout the 1980s forces were developing a variety of management systems, many based on Policing by Objectives (PBO). This introduced a new discipline into objective-setting and monitoring but there were problems in the early development of PBO, particularly lapses into over-bureaucratic systems, with almost as much effort channelled into the reporting process as went into achieving the targets. But police planning has matured into an approach adopted by every chief constable.

68. Forces are aware of the need to engender ownership of plans by frontline officers; if they fail, plans will have minimal influence on the way that these officers prioritise their efforts. In the past, some policing plans were documents written for others – the police authority, HMIC and so on. Lessons have been learned, however, and the Quality of Service initiative
has emphasised the benefits to be derived from both external and internal consultation on objectives and targets. Nevertheless, the quality of planning is variable, as is the degree to which plans are made meaningful to those tasked with delivering them. Police officers are expert at operational planning, but the more strategic is the planning framework, the further they are departing from existing culture. The statutory requirement to produce and work to Local Policing Plans may well throw these issues into sharp relief, and has given added impetus to efforts to improve planning processes still further.

69. But perhaps more significantly, forces are recognising that effective planning is essential for devolved management, replacing control of inputs and processes with hands-off monitoring of outcomes. The Home Office has relinquished control of establishment levels but has issued five key objectives supported by performance indicators (PIs) (Box H), the first time that police forces have been set objectives on a national basis. With the additional objectives to be identified by the police authority, these tell the chief constable what is expected of him; but how he delivers it should be for him to determine. Similarly, the Home Office expects the police authority to give the chief constable greater discretion over financial management, and in turn the chief constable will be exhorted to push operational responsibilities and control of resources down to BCU level. For this approach to succeed there needs to be a robust framework of planning and performance management — how do forces measure up?

**Box H**

*Five key objectives for policing in 1994/95 set by the Home Secretary*

- to maintain, and if possible increase, the number of detections of violent crime;  
  \[PI = \text{number of violent crimes detected per 100 officers}\]

- to increase the number of detections for domestic burglaries;  
  \[PI = \text{number of burglaries detected per 100 officers}\]

- to target and prevent crimes which are a particular local problem, in partnership with the public, local authorities and other agencies;  
  *(No PI at present; work is in hand to develop one)*

- to provide high visibility policing so as to reassure the public;  
  \[PI = \text{public satisfaction with levels of foot and mobile patrol}\]

- to respond promptly to emergency calls from the public.  
  \[PIs = \% \text{ of 999 calls answered within the local target time} \]
  \[\% \text{ of responses to emergency incidents within the local target time}\]
There are many good examples of police planning processes, both at the force-wide (corporate) and BCU level. Some forces have not been slow to look to other parts of the public sector, and occasionally to private companies, to improve their processes (a trend encouraged by Bramshill Police College). Nevertheless, officers interviewed in the study forces were aware of imperfections, which they were trying to resolve. In particular:

i) the process is sometimes 'top-down', perhaps because of a lack of expertise throughout the force, and exacerbated by external demands and directives. Whatever the cause, a lack of consultation in the planning process will almost certainly doom it to failure as a means of galvanising staff;

ii) insufficient links exist between force plans and BCU plans – poor consultation and communication mechanisms can lead the two types of plan to run on parallel tracks rather than be linked;

iii) planning horizons are too short – annual plans are vital management tools but need to be set within a longer-term strategy over three to five years;

iv) objectives are not linked to resources, and therefore may represent little more than a 'wish list', which will disappoint people if not attained and undermine the credibility of the whole approach. One possible explanation is that in some forces the senior finance officer is not a member of the policy team and so is not party to the discussions about objectives;

v) plans lack flexibility, which may lead to their being shelved part way through the year as circumstances change, when in fact a key reason for planning is to provide clear points of reference to inform responses to change;

vi) monitoring and reporting arrangements tend either to be too bureaucratic, bringing the process into disrepute as well as absorbing energies that could be better applied to operational tasks, or they are inadequate or non-existent;

vii) the focus is on inputs rather than outputs or standards, which means they are not a spur to operational improvement.

These weaknesses are by no means peculiar to the police service, and there are lessons that can be drawn from other public sector organisations that are perhaps more advanced in performance management and business planning techniques. Three core elements of good practice can be identified:

- **Specification** of aims and objectives, expressed in terms of desired outcomes and measurable targets;
communication, both internal and external, to help define objectives in the first place and stay on track, and to ensure that staff know their responsibilities and how they can contribute;

evaluation: use of performance review to track achievements in service delivery and identify actions necessary for improvement; and appraisal of individual performance.

72. But developing a performance management culture is a long-term process, not a quick fix. As the process matures organisations gradually change their culture from one based on command to one based on empowerment and performance. In the early stages a key variable of success is the quality of consultation—a purely top-down approach results in little or no commitment from front-line staff. The next hurdles are discontinuity—avoiding the syndrome of starting out with good intentions but lapsing into routine, process-driven structures—or failures in communication, which is too often a one-way (downward) flow in police forces. Leading-edge organisations have succeeded in making it into the third and final stage of performance management, where training and development have a high profile and PIs underpin effective control.

73. Specification, communication and evaluation can thus provide the foundations for effective performance management. If an organisation does not know what it wants to achieve, does not ensure that its staff know what their responsibilities are, and is not able to judge how well it and they are doing, then it has little prospect of improving performance. But on their own these three elements do not guarantee improvement—a mechanism is needed to translate them into practical management. Business planning can fulfil this function, provided that it is part of a continuous effort to direct and monitor performance and not seen as a discrete, once a year task.

74. Business planning techniques have spread rapidly in the public sector because, used effectively, they can have a major impact on day to day service delivery. Far from constraining flexibility, this type of planning can help forces to manage change and take advantage of technical innovations. Additionally, it improves accountability by defining more clearly managers’ responsibilities for meeting performance objectives.

75. Business plans—perhaps more appropriately labelled service plans by public sector organisations—are a means to an end, not an end in themselves. The principal elements are:

◆ ‘where are we and where are we going?’—a statement of key objectives and priorities;
◆ ‘how do we get there?’—an action plan detailing the way in which services will be provided to achieve stated objectives, identifying any factors which may influence their achievement;
The process of building up business/service plans, and their structure, are likely to vary according to the way that planning has evolved over time within each force. Imposing a standard style and content would detract from the sense of ownership as the plan is drawn up locally. However, where forces have not yet determined a core structure, the following pointers, adapted from a conventional business plan structure, may be helpful (Box I). Some of the information is basic data already collected by force HQ, but other elements are less commonplace. The headings fall into four main categories:

- background and contextual information;
- operational objectives;
- proposed changes in resourcing or staffing plans;
- operational analysis.

Planning is best developed in stages, with involvement at all levels of the force. For example, the chief constable could spell out the force’s strategic objectives and priorities, and indicate the overall resources available. Local commanders and heads of departments could then translate these strategic objectives into operational plans and feed them back to HQ where they are worked into the corporate plan. An example of how this has been applied in practice is the plan developed in Northamptonshire (Box J, on page 58). Alternatively, bottom-up approaches start with BCU-level objectives and collate them into force-wide strategies.

It is essential that planning is not purely a headquarters function. If the force is striving for a performance-oriented planning approach then BCU plans should underpin the whole system of delegated management and be the critical building blocks in the overall force plan. Otherwise it will be a sterile document remote from front-line operations, used only in formal and infrequent dialogues between the chief constable and the police authority. The use of planning as a tool for BCU-level management is variable. The majority of BCU commanders currently prepare some form of action plan but too often it is an annual exercise done by rote which then has relatively little influence on decision-making. It could however fulfil the same function – writ small – that is envisaged for the Local Policing Plan i.e. to set the parameters within which local commanders have a high degree of managerial discretion.

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1 HMIC are preparing a checklist on business plan preparation and application, to provide forces with further help in this area.
### Box 1
**Main headings in a police business/service plan**

<table>
<thead>
<tr>
<th><strong>1. Background/contextual information</strong></th>
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<tbody>
<tr>
<td><strong>Area served:</strong></td>
<td>population, geographical boundaries, where police stations are located etc.</td>
</tr>
<tr>
<td><strong>Resources available:</strong></td>
<td>number of police officers in each rank, number of civilians by main function, number of vehicles, IT systems etc.</td>
</tr>
<tr>
<td><strong>Structure:</strong></td>
<td>management team, organisation chart</td>
</tr>
<tr>
<td><strong>Demand for police services:</strong></td>
<td>the policing environment, as shown by the number and type of calls for assistance, 999 calls, incidents dealt with, level of recorded crime (by type), road traffic accidents etc; and forecasts of changes in demand</td>
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<table>
<thead>
<tr>
<th><strong>2. Objectives</strong></th>
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<tbody>
<tr>
<td>♦ the Home Secretary's key objectives</td>
<td></td>
</tr>
<tr>
<td>♦ the police authority's objectives (from April 1995)</td>
<td></td>
</tr>
<tr>
<td>♦ other force-wide objectives</td>
<td></td>
</tr>
<tr>
<td>♦ local (BCU-level) objectives</td>
<td></td>
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</table>

*with supporting information on:*  
♦ consultation undertaken around objectives; partnership arrangements  
♦ targets set for these objectives (compared to last year's performance)  
♦ method of assessing achievement against targets  
♦ frequency and means of reporting achievement  
♦ accountabilities for securing objectives  

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<thead>
<tr>
<th><strong>3. Budget and major strategies for use of resources</strong></th>
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</tr>
</thead>
<tbody>
<tr>
<td>♦ Detailed budget breakdown, financial forecasts, costings</td>
<td></td>
</tr>
<tr>
<td>♦ Personnel, training and development strategy</td>
<td></td>
</tr>
<tr>
<td>♦ Property strategy</td>
<td></td>
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<tr>
<td>♦ Major capital projects e.g. equipment and vehicles</td>
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<table>
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<tr>
<th><strong>4. Operational analysis</strong></th>
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<tbody>
<tr>
<td>This may not be an annual assessment; questions to ask include:</td>
<td></td>
</tr>
<tr>
<td>♦ what must we good at (rather than what are we good at)?</td>
<td></td>
</tr>
<tr>
<td>♦ what are our weaknesses?</td>
<td></td>
</tr>
<tr>
<td>♦ how can we do better?</td>
<td></td>
</tr>
<tr>
<td>♦ what are the views of our own staff and the local community?</td>
<td></td>
</tr>
<tr>
<td>♦ what are the main opportunities and threats to improving performance?</td>
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</tbody>
</table>
The force wanted to clarify its purpose, the way it worked and its priorities without lapsing into management jargon about mission statements, core values etc. which made many officers switch off. The central theme to the plan is achieving measurable improvements in performance in the aspects of policing that matter most to local people. The starting point was a short, simple document, drafted by the Chief Officers’ Policy Group and revised in the light of comments received during a force-wide consultation process. It states:

**Making the Difference**

**We provide a 24 hour policing service which, with the support of the community:**
- Promotes the safety and security of people and property
- Prevents and detects crime
- Enhances the quality of people's lives

**We value caring and skilled staff who:**
- Are honest, fair, open and courteous to the public and each other
- Encourage others and respect their contribution
- Make the best use of available resources

**Our priorities are to:**
- Respond to calls from the public for assistance
- Tackle crime
- Patrol in uniform, reassuring the public and preventing and detecting offences
- Care for victims

Operational performance targets were then set for the four priority areas, again in consultation with command areas and departments. As an illustration, the targets for responding to calls from the public are shown on the left. Others include: a 2% reduction in overall crime levels; 30% of operational PCs' available time to be spent on preventative patrol; and a 90% satisfaction rate of crime victims with the service received from the force.

For each priority, officers were asked to identify what would prevent them from achieving this target, and then to seek ways of overcoming these problems. The targets set for each command unit may vary, according to the profiles of current performance and what each commander felt could be achieved; the Assistant Chief Constable (ACC) will moderate these variations over time. Local area commanders are accountable to the ACC for achievement of their targets; whilst the culture will initially be tolerant of ‘getting it wrong despite trying hard’, persistent non-achievement will lead to sanctions.
79. Used in this way, BCU-level plans represent a means of empowerment, as opposed simply to delegation of specific spending decisions. They could be the mechanism by which:

♦ the BCU commander is held to account for performance, and specifically for achievement of force and local objectives;
♦ the BCU publishes for the benefit of its local community how it intends to use its resources to address the main problems confronting the community (though not putting into the public domain details of tactics or specific operations);
♦ the BCU makes a business case for additional resources;
♦ approval is sought for capital expenditure projects or any expenditure incurring long-term revenue commitments – for example, proposals to change the configuration of buildings, equipment and vehicles, or to vary staffing establishments;
♦ compliance with force policies is demonstrated. For example, if part of the training budget has been devolved, the BCU plan should identify how local training needs will be met.

80. A plan drawn up by an HQ-based operational unit or central department such as Finance or Transport may contain similar features to the BCU plan but is also likely to reflect the fact that a principal function is to support front-line operations. There may be specific reference to service standards or even service level agreements. The operational analysis conducted by a BCU might be mirrored for a support department – particularly one which is going to be exposed to CCT, such as Transport – in a business analysis which examined strengths, weaknesses, opportunities and threats (SWOT). The appraisal would also separately identify the internal and external influences and constraints upon performance (Exhibit 14, overleaf).
Exhibit 14
Business analyses for support departments

ILLUSTRATIVE SWOT ANALYSIS FOR TRANSPORT DEPARTMENT

<table>
<thead>
<tr>
<th>Factors to consider</th>
<th>Action required</th>
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</thead>
<tbody>
<tr>
<td><strong>Strengths</strong></td>
<td></td>
</tr>
<tr>
<td>Skilled, committed workforce</td>
<td>Staff retention policy; maintain skills profile</td>
</tr>
<tr>
<td>Good quality service</td>
<td>Set service standards; monitor user satisfaction</td>
</tr>
<tr>
<td>Understanding of clients</td>
<td>Establish/maintain transport user groups</td>
</tr>
<tr>
<td><strong>Weaknesses</strong></td>
<td></td>
</tr>
<tr>
<td>Lack of investment in equipment</td>
<td>Make business case for essential items</td>
</tr>
<tr>
<td>Financial monitoring</td>
<td>Training in budget management; improve FIS</td>
</tr>
<tr>
<td>Quality control</td>
<td>Develop quality assurance process; apply for BS5750</td>
</tr>
<tr>
<td><strong>Opportunities</strong></td>
<td></td>
</tr>
<tr>
<td>New management practices</td>
<td>Delegate parts of transport budget to BCUs</td>
</tr>
<tr>
<td>Quality initiatives</td>
<td>Service level agreements to enhance competitiveness</td>
</tr>
<tr>
<td>New financial information system</td>
<td>Build in fleet management module to FIS</td>
</tr>
<tr>
<td><strong>Threats</strong></td>
<td></td>
</tr>
<tr>
<td>Potential budget cuts</td>
<td>Identify scope for economies e.g. switch to diesel</td>
</tr>
<tr>
<td>Legislation</td>
<td>Prepare CCT strategy; research likely competitors</td>
</tr>
<tr>
<td>Competition</td>
<td>Rationalise sites and facilities; review working hours</td>
</tr>
</tbody>
</table>

ILLUSTRATIVE ENVIRONMENTAL ANALYSIS FOR TRANSPORT DEPARTMENT
Use of consultants

81. The knowledge and experience necessary to inform the substance of a police business/service plan already resides in the force personnel, but some forces have benefited from expert advice on planning techniques, or from outside facilitators or consultants to steer management teams through the discussions (Box K, on page 62).

82. There are however some caveats on the use of consultants in this area:
- Business planning is not a one-off exercise and therefore it is important that police managers learn the necessary skills themselves;
- Much of the value of business plans comes from the planning process itself—the shared discussion of objectives, strengths and so on. The use of experts may shorten the process of delivering the end product, but this may not be in the force's longer-term interests if it reduces the involvement of force personnel;
- Private sector consultants may import values which are not wholly compatible with a public service ethos; making policing more businesslike is not the same as turning it into a business.

Local Policing Plans – the statutory requirements

83. The Act stipulates that every police authority shall, before the beginning of each financial year, issue a Local Policing Plan (LPP) which sets out the proposed arrangements for the policing of the authority’s area during the year. This should:
- Be prepared in draft form by the chief constable for the police authority to consider;
- Include a statement of the financial resources expected to be available and the proposed allocation of those resources;
- Specify the authority's priorities and objectives for the year, having consulted the local community on what the objectives should be;
- Include the objectives set for policing by the Home Secretary;
- Give details of any performance targets set by the authority.

84. The authority must then publish the Plan, in whatever way it deems appropriate, and send a copy to the Secretary of State. As soon as possible after the end of each financial year the police authority must issue a report relating to the policing of that area, which will include an assessment of the extent to which the LPP has been carried out. The chief constable will also be expected to demonstrate achievement against objectives in his annual report, which in future will be prepared on a financial year basis.

Ownership of the Local Policing Plan?

85. If the police authority is content with the draft prepared by the chief constable it will issue it. If it wishes to issue a Plan which differs from the draft submitted by the chief constable, it must consult the chief. There may then be agreement about a revised version. But there is a third, worst case scenario, where the two parties cannot agree. A chief constable may, for example, argue that the changes proposed by the authority would...
Box K
Use of consultants by one force to advise on business planning techniques

For each BCU and HQ department in the force, a series of nine presentations was provided, with a requirement that, in each session, participants produced an element of the business plan for their own area of work. The sessions mixed lectures, group work, facilitated discussion and coaching, covering:

<table>
<thead>
<tr>
<th>Session</th>
<th>Topics Covered</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>♦ identifying values and expectations of stakeholders ♦ identifying mandatory requirements (legislation, national objectives etc.) ♦ developing the core purpose</td>
<td>Mission statement</td>
</tr>
<tr>
<td>2</td>
<td>♦ analysing the external environment (political, legal, technological, economic, social, demand and competition for services)</td>
<td>Statement of opportunities and threats</td>
</tr>
<tr>
<td>3</td>
<td>♦ analysing the internal environment (resources, skills, balance, flexibility)</td>
<td>Statement of strengths and weaknesses</td>
</tr>
<tr>
<td>4</td>
<td>♦ setting strategic objectives to address the previous analyses, using a 'hierarchy of objectives' approach ♦ setting standards, measuring and monitoring performance ♦ identifying milestones</td>
<td>Statement of aims and objectives</td>
</tr>
<tr>
<td>5</td>
<td>♦ developing the service portfolio ♦ core and non-core activities ♦ developing key action programmes ♦ determining priorities and forecasting volumes</td>
<td>Action programmes and activity forecasts</td>
</tr>
<tr>
<td>6</td>
<td>♦ financial strategy and financial forecasts ♦ costing activities ♦ risk management</td>
<td>Financial forecasts and risk management plan</td>
</tr>
<tr>
<td>7</td>
<td>♦ human resources strategy ♦ organisational structure and culture ♦ management of change</td>
<td>Manpower forecasts, organisation structure charts</td>
</tr>
<tr>
<td>8</td>
<td>♦ marketing services and service prospectuses ♦ defining support requirements e.g. information, equipment</td>
<td>Marketing plans, definitions of required support</td>
</tr>
<tr>
<td>9</td>
<td>♦ review – putting it all together</td>
<td>Business plan for each BCU/business unit</td>
</tr>
</tbody>
</table>

Source: West Midlands Police
impinge upon his operational autonomy and refuse to accept them. There is no statutory mechanism for resolving such differences. The Act makes clear that it is the police authority’s Plan; in the event of disagreement, the authority has the last word. But is the chief constable bound by it?

86. The Act requires the chief constable, in discharging his functions, to ‘have regard to the local policing plan issued by the police authority for his area’. But the relevant Home Office Circular¹ states that ‘he is not bound rigidly by it. The chief officer retains the direction and control of the force. It is open to him to depart from the Plan if, in his operational judgement, he considers it necessary to do so’. There could therefore be conflict or confusion on the ground about ownership of the Policing Plan, however clear the statutory position may be. The issue is not one of mere semantics. Where there has been effective public consultation and agreement is reached on the Plan, accountability to the community will be more visible. Where there is no such agreement, accountability will be more opaque than at present. Police authorities and forces need to address this possibility, perhaps by agreeing protocols which seek to ensure that departures from the Plan are joint rather than unilateral decisions.

87. In the more likely case of substantial agreement about the content of the Plan, forces and police authorities still need to set up procedures that give both parties reasonable time to consider drafts – preferably aligned with budget proposals – and ample opportunity to develop it as a shared undertaking about policing priorities and objectives. The timetable for production of Local Policing Plans for 1995/96 is far from ideal in this respect. The Home Secretary’s key objectives will not be announced until October, and SSAs and cash limits will not be confirmed until well after the shadow authorities meet for the first time in November. Existing police authorities and forces need therefore to discuss the core content of the draft Local Policing Plan, to maximise the chances of constructive debate and agreement by the shadow authorities. Consultation with the community is also going to be difficult to conduct unless the force and existing authorities set the ball rolling prior to November.

88. The Home Office intends that Local Policing Plans will:

♦ act as an agreement between the chief constable and the police authority on the priorities for policing the area during the year;
♦ tell the public what policing services and standards they can expect;
♦ aid performance monitoring by the chief officer, the police authority and the Home Office.

89. Because forces have been developing the planning process over a number of years they should seek to mesh this statutory requirement into existing approaches, rather than treat it as a separate exercise. But the Local Policing Plan is different from conventional force plans, because the ultimate responsibility for its contents lies not with the force but the
police authority. Also, a Local Policing Plan that specifies high-level objectives and desired outputs, and aims to inform the public about what the police are trying to achieve, will by definition lack the operational detail (including specific tactics) needed to help local commanders and their officers actually deliver the objectives. Whilst there may therefore be only one planning process, there cannot be just one plan. The LPP should obviously relate to other documents, such as a long-term development plan, IT strategy etc., and it is likely that in many instances the core content of the draft LPP submitted by the chief constable will be drawn from a plan such as that outlined in Box I on page 57, but with the emphasis on parts 1 and 2 and key points from part 3.

90. Local Policing Plans are central to the reforms' themes of enhancing delegation and accountability. In return for greater managerial discretion, the chief constable will be held to account for his actions and the force's performance through the monitoring mechanisms accompanying the Plan. The LPP could form the policy framework for a host of delegated decisions. For example, a chief constable may set out his proposals for developing the use of IT – perhaps upgrading existing systems or purchasing new ones. Once the IT strategy is approved, the chief constable should not be required to seek approval from the police authority for detailed decisions which are within the policy parameters agreed (subject to compliance with financial regulations).

Costing the Local Policing Plan

91. In imposing a statutory requirement to prepare and publish annual plans the Act is working with the grain of current police management approaches. But the reference in the White Paper to costed policing plans caused concern in many forces, unsure that their information systems could generate accurate costing information, and uncertain as to the use that would be made of it. Policing is a significant consumer of public funds, with expenditure in 1993/94 in excess of £6 billion. In order that the service can be accountable for this spending it is essential that it should spell out how resources have been used to achieve agreed objectives and priorities. For example, if a chief constable affirms that tackling crime is top of the force's agenda he should be able to state what proportion of force effort he plans to direct to this area of work. This is consistent with the Act's requirement that Local Policing Plans show the 'proposed allocation of available resources', but Home Office Circular 27/94 goes further in envisaging 'that forces will move to a more sophisticated system of costing to show the distribution of resources by output.'

92. At present police budget statements are confined to inputs. As with all other local government services these are set out under standard headings, termed subjective analysis, as recommended by the accountancy body CIPFA. The majority of services, such as education, social services, leisure etc. also provide an objective analysis, showing how the resources are applied to different service areas (Exhibit 15). This type of analysis allows
5 Police Planning – the New Framework

Objective analysis of police work

93. Such an analysis of spending on police services is feasible and could be illuminating, but with two important caveats. Few other public services have staff who are as multi-functional as police officers. The cost of nursery school teachers, for example, can properly be shown as dedicated expenditure on under-fives education; they could not be asked at a moment’s notice to switch to work in the adult education field. Secondly, departmental directors do not possess the operational autonomy of a chief constable; for example, a leisure and recreation committee can, to a much greater degree, tell its director how they wish available resources to be used.

94. To make objective analysis of policing resources meaningful, there needs to be consistency in classification of the main functional activities. There is no prescribed approach, although many forces use ACPO’s ‘key operational areas’ – call management (responding to calls for assistance), crime management, traffic management, public order management/public

Exhibit 15
Subjective and objective analyses of expenditure

For most local authority services, there is financial information on both inputs and outputs ...

Source: Audit Commission analysis of data from a county council

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Net expenditure £46m

65
Exhibit 16
Allocation of resources to main areas of policing

Simple analysis can show the proposed allocation of resources (staff and running costs) to the main areas of police activity ...

Source: Audit Commission analysis of study force data

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Activity sampling is a Home Office-sponsored initiative which breaks down all operational tasks into coded incident and activity types. Every 15 minutes the officer is required to code current activity (using, for example, a Psion organiser or optical mark reader); if dealing with a burglary the code CC is entered, a road traffic accident is NA and so on. The data is then downloaded and analysed.

95. Having agreed a functional classification, objective analysis can show how resources are distributed amongst these main functions. Probably the simplest approach combines analysis of the force organisation structure with role/activity analysis. Step one is to allocate staff with dedicated responsibilities to the appropriate functional headings. For example, 100% of detectives’ time could be assigned to crime management, and all that of control room staff to incident response. Secondly, activity sampling or some other form of role analysis apportions the time of those operational

reassurance and community policing. But forces often customise these to describe the pattern of police work in their area – especially the last two categories, which are very broadly defined. Some form of standardisation could be useful, particularly if forces want to compare their profiles of activity with one another.
Exhibit 17
Allocation of resources to territorial units and HQ departments

An illustrative breakdown shows how resources are spread between areas and HQ-based activities and support ...

The use and interpretation of costing analyses

96. Sonic forces have experimented with variations on this simple analysis by showing, for example, the distribution of resources to HQ/central support departments and to territorial commands (Exhibit 17). Where BCU boundaries are coterminous with local authority boundaries, this type of analysis can illustrate the relative costs of policing different local areas. This would be of interest to police authorities, local authorities and local residents, but careful interpretation is needed to avoid undermining the importance of a coherent service being provided by the whole force. More ambitiously, one force is attempting a breakdown of operational policing costs across headings which include the Home Secretary's key objectives, local objectives and Citizen's Charter targets.

97. The objective analysis described above has methodological limitations. It relies heavily upon activity sampling to determine how officers are spending their time, but the accuracy of this technique has been questioned by ACPO and it is expensive to undertake. In addition, the crude apportionment of overheads detracts from its validity; a more precise breakdown of resource usage requires a more sophisticated apportionment of overheads. In the simple approach outlined above all indirect and non-operational costs were allocated pro rata to the split of operational work. It could, however, be appropriate to weight force transport costs more heavily to traffic management, or allocate the bulk of training expenditure to basic command units. Greater accuracy can be achieved if the cost-centre code structure is sufficiently detailed and flexible to allow non-standard analysis, for example, some form of project costing. However, in many forces the accounting systems would not be able to accommodate such analyses without a reorganisation of the general ledger – not a task to be undertaken lightly.

98. Management information costs money and therefore there should be an assessment of what benefits will flow from its collection before embarking upon ever more sophisticated analyses. The principal resource of a police force is its officers' time and thus the costs of policing are
primarily those of deployment—how officers spend their time. The officers making deployment decisions often have to choose between competing bids for resources—more officers on foot patrol or an intensive anti-burglary initiative? A better understanding of the costs of deployment will ensure that those making these difficult decisions do so in the full knowledge of the financial implications. It is important to emphasise that financial information is only part of the information base for decision-making, and would not necessarily override the operational dimension of the decision. But if managers do not know how much things cost they cannot be sure that they are using resources economically and efficiently. As an example, an earlier Audit Commission study found that failure to identify the full hourly cost of officer deployment meant that many forces were undercharging football clubs for officers’ attendance at matches. (Once the full costs were levied, clubs increased their use of stewards and thus fewer officers were required.)

99. It is important to recognise that objective analyses can only show how time and resources have been deployed, not how they will be deployed in the future; the unpredictability of demand for policing makes such analysis a poor forward-planning tool. For example, moving officers out of traffic into CID may not, as intended, lead to an overall drop in traffic management work but to general patrol officers spending more of their time on traffic matters. It could, though, form the basis for a statement of proposed allocation at a global level; for example, that a force intended to deploy 55% of its resources to the crime management function (without attempting a forecast of the response to different types of crime—burglary, violent crime etc.). Actual allocation, as opposed to proposed allocation, could then be shown in the police authority’s and chief constable’s annual reports, with an explanation of any variances and information about underlying trends. Departures from any target allocation of resources should be a matter for discussion and not automatic criticism or sanctions.

100. Objective analysis such as that set out in Exhibit 16 can help the police authority to show how the force’s resources are being applied to the main areas of public demand for police services. It also illustrates that resources are finite—more effort going into street patrol must mean that another ‘piece of pie’ has to shrink. The apportionment could be a starting point for the authority to discuss with the chief constable how changes in the relative application of resources might be achieved. But too detailed a scrutiny of inputs would run counter to the new philosophy of monitoring outputs and outcomes, not inputs and processes. The Home Office and the police authority should have most concern with how many burglaries occur and how many are detected, rather than the process of investigation.

101. The long-term aim of the Home Office is that Local Policing Plans will link resources to outcomes and identify the cost of policing by output. No timescale has been set, recognising that the pace will vary according to the capacity of forces’ financial and management information.
systems. Initial illustrative analysis by the Home Office used activity sampling.

102. Apart from the difficulty in predicting the demand for a police response to such a degree of accuracy, this still represents a form of input costing and gives no information, financial or otherwise, about outcomes. Efforts have been made by individual forces to improve their information base on costings and outcomes but a lot of work remains to be done, especially in important but intangible areas such as public reassurance. Is it meaningful to calculate the cost, for example, of one hour of foot patrol when there is no consensus about what patrol work achieves?

103. Rehearsing the difficulties of costing policing outcomes should not however absolve police managers from improving the level of analysis currently available. Where there is clarity about the definition of a successful policing outcome, analysis should be applied. For example, a force may identify that the cost – based primarily on the length of time spent in investigation – of a burglary detection in BCU Alpha was double that of neighbouring BCU Bravo, which had similar detection rates. Such a variation ought to prompt analysis of the relative efficiency and effectiveness of the two BCUs. In BCU Alpha the officers may, on average, be spending twice as long on investigations but using the time less productively, or making less effective use of informants. The discrepancy in performance can then be addressed by managers, obviously guarding against the risk that the duration of investigations is not reduced simply by lowering their quality and thus reducing the chances of detection.

104. Many managers already use comparative data to identify good and poor practices within their forces, although cost comparisons are relatively undeveloped as yet. For the comparisons to be valid there needs to be a standard methodology for constructing cost profiles. Many forces use a form of ready reckoner showing the hourly costs of different ranks, but each one is calculated on different assumptions about levels of overtime, overheads etc. The Home Office has developed this work to construct a detailed ready reckoner which could form the basis for a standard approach (Table 2, overleaf). The Audit Commission has also produced a log for recording the time spent by detectives on investigations (Exhibit 18, overleaf). This enables analysis by crime type (burglary, assault etc.) and

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Illustrative analysis of functional costing based upon activity sampling</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of police time spent on activity</td>
</tr>
<tr>
<td></td>
<td>1994/95</td>
</tr>
<tr>
<td>Domestic burglary</td>
<td>5</td>
</tr>
<tr>
<td>Road traffic accidents</td>
<td>2</td>
</tr>
<tr>
<td>Preventative patrol</td>
<td>19</td>
</tr>
</tbody>
</table>
category of activity, and records the outcome of the investigation together with expenditure such as payments. Use of the investigation log together with the ready reckoner could produce very accurate analyses of costs and outcomes, as well as providing useful information for managers and supervisors on investigative processes.

105. Comparisons between forces are more fraught because the context within which different forces work must be taken into account. But if used sensibly – i.e. to learn lessons rather than score points – relative cost comparisons can help to improve performance by drawing on others' successes. The acid test of all analyses and comparisons is whether they improve the quality of operational decisions and help optimise the use of resources – if not, they are likely to be resisted.

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**Table 2**

**Ready reckoner of police officer costs (hourly rates)**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Pay costs only</th>
<th>Pay &amp; non-pay* costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constable</td>
<td>£19.11</td>
<td>£22.63</td>
</tr>
<tr>
<td>Sergeant</td>
<td>£22.77</td>
<td>£26.35</td>
</tr>
<tr>
<td>Inspector</td>
<td>£24.76</td>
<td>£28.36</td>
</tr>
<tr>
<td>Ch/Inspector</td>
<td>£27.86</td>
<td>£31.54</td>
</tr>
<tr>
<td>Superintendent</td>
<td>£38.58</td>
<td>£42.59</td>
</tr>
</tbody>
</table>

* These include overheads such as training, premises, supplies etc. but not management and administration overheads, which could add 10% to 15% to the figures in the right-hand column; the figures do not therefore represent the full economic cost of officers’ time.

Source: Home Office Police Department (Working Paper), September 1994
Checklist for action

1. Forces should review their current planning process to ensure that
   ♦ the process is not too top-down
   ♦ there are clear links between corporate and BCU plans
   ♦ objectives are linked to available resources
   ♦ plans are kept under review and adapted as necessary
   ♦ monitoring arrangements are simple to administer
   ♦ objectives are framed as outputs or standards where possible
   ♦ front-line staff are involved in setting operational objectives.

2. Chief constables should ensure that the annual planning process is set within a broader framework of performance management, rather than being treated as a one-off task.

3. BCU business plans should be used to give effect to delegated management, e.g. to avoid the need for constant referral of decisions to HQ.

4. Forces should consider whether training in business planning techniques, if not already provided, would be beneficial.

5. The force management team should agree the format and content of the draft Local Policing Plan and discuss it with the existing police authority and the shadow authority at the earliest opportunity. Protocols governing departures from the Local Policing Plan should be established.

6. The chief constable should review the process used to derive strategic and local objectives for the force in the light of the new requirement to prepare and work to an annual Local Policing Plan.

7. The quality and quantity of information available to produce a statement of proposed allocation of resources should be assessed: can this information be refined to improve its accuracy and develop output costing?

8. Force management teams should discuss with BCU commanders and departmental managers how costing information can be developed to improve decision-making and highlight both good and poor performance.
Forces should consider service level agreements for support services.

Forces need to prepare for CCT by developing CCT strategies and should designate officers to fulfil client-side responsibilities for defined activities.
6 Preparing for Competition

106. One probable consequence of the statutory requirement for Local Policing Plans and the emphasis on improving operational performance is that greater clarity will be sought about the role of support departments. The majority of police officers and civilian staff provide a direct service to the general public and other clients such as the Crown Prosecution Service, but a significant number have a role behind the scenes, providing support to these front-line operations. The relationship between support functions, such as finance or personnel, and command unit operations needs to be formulated clearly so that support functions are responsive to the needs of users.

107. Additional impetus to the trend towards setting up support departments on a business unit basis is provided by the proposed extension of compulsory competitive tendering (CCT) to a wide range of blue-collar and corporate support services. CCT will require that defined activities such as finance specify in detail what they provide and how much it costs. For many central departments this will entail considerable preparation, beginning with discussions about the current nature of services they provide to command units and other users. In forces where this has already happened, service provision may be set out in formal service level agreements (SLAs).

108. Even without the demands of CCT looming up, service level agreements can introduce a useful discipline into working relationships between support functions and service deliverers, provided that the pitfall of excessive bureaucracy is avoided. The essential features of SLAs are a statement of the parties to the agreement, the level of service, the price of the service to be provided, the arrangements for monitoring performance and redress mechanisms in the event of service failure (Box L, overleaf). This last point is often ignored but is critically important.

109. The SLAs which currently exist in policing are primarily agreements concerning the support services provided by county councils or lead authorities. In the new, free-standing police authorities, these SLAs or statements of recharges are likely to be replaced by legal contracts; a good SLA could form the basis for contract documentation. There is also increasing interest in SLAs within police forces, and indeed HMIC now consider SLAs – or their absence – as a standard element in a primary inspection. But some forces suffer from a lack of understanding about the role that SLAs can play and the mechanics of their application.

110. Some current documents labelled SLAs are in fact no more than terms of reference or specified standards of service – what will be provided, within what timescale etc. For some areas of activity this may be all that is actually required to ensure clarity and accountability, without a need for redress mechanisms or other quasi-contractual elements. Before rushing into SLAs for every conceivable support relationship between HQ and BCUs, a force should be clear about what it is trying to achieve by them,
Box L

Definition of a service level agreement

Source: Association of Metropolitan Authorities et al

SLAs identify:
♦ the service to be provided, at a specified price, through a service statement or specification;
♦ the level at which the service will be provided – its quality and quantity;
♦ the fact that an agreement has been made about the type of service and level of provision;
♦ the mechanisms for charging for the service, for amending the service or the level, for dealing with disagreements, and for terminating the agreement.

and be sure that they will yield organisational benefits. There may be simpler approaches that will meet the requirements equally well. It is also important to be aware of the drawbacks with SLAs and the reasons why they fail.

Reasons why SLAs fail

111. One impetus behind SLAs in local government was the creation of business units with statutorily determined target rates of return and their need to get value for money from their support services. A business unit receiving poor quality or over-priced support services, such as legal advice, finance, personnel or IT support, may struggle to achieve its performance targets and therefore quasi-contractual arrangements are a necessity. But the existence of an SLA does not in itself guarantee a satisfactory arrangement.

112. SLAs can fail for three reasons:
♦ lack of clear objectives or statements of service provided;
♦ over-bureaucratic operation;
♦ lack of user input and commitment to the process.

SLAs which lack clear service objectives are ends in themselves, a paper exercise controlled by the provider to justify the existing type and level of service. Typically the SLA document in these circumstances is brief and vaguely worded, or an excessively long, over-detailed specification which is impossible to deliver or monitor in practice. A second danger is the mushrooming of SLAs as each section or department attempts to formalise its working relationships with every other, creating a bureaucratic merry-go-round of nightmare proportions. One council department had over 300 SLAs! And thirdly, SLAs sometimes prove a hindrance rather than a help because the process is dominated by the support service providers rather than the end users. In a sample of over 100 local authority SLAs only 6% had been initiated by users, whilst more than half were written solely by the provider of the service. Two consequences flow from a provider-dominated process; the service may not be what the user wants, and the users are not committed to fulfilling their responsibilities in the agreement.

113. It is thus a key management decision to gauge how far to adopt the SLA approach. Some forces have made SLAs work to their advantage; an example is the SLA devised by Surrey Police to cover major crime support work, although at this stage there are no prices incorporated (Box M). In addition, experience with local authority SLAs suggests that a cautious, step by step approach is most appropriate – the mechanisms can be complex to get right and, perhaps more importantly, the SLA process reflects changing attitudes which cannot occur overnight. A reasonable development timetable might therefore span three years in total if the force is starting from scratch, but some forces will already be more advanced (Box N, overleaf).

**Box M
Example of a police force SLA**

<table>
<thead>
<tr>
<th>Service</th>
<th>Standard</th>
<th>Target</th>
<th>Customer obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major crime support</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision of Senior Investigating Officer (SIO)</td>
<td>To arrive at scene or other location as agreed within 90 minutes from receipt of call</td>
<td>90%</td>
<td>Provision of suitable accommodation</td>
</tr>
<tr>
<td>Provision of HOLMES equipment to incident room at request of S.I.O.</td>
<td>To install onsite, fully operational within 4 hours of request</td>
<td>90%</td>
<td>Provision of major incident room</td>
</tr>
<tr>
<td>Maintenance of HOLMES equipment on site to ensure operability</td>
<td>To maintain uptime for 90% of required operating time</td>
<td>90%</td>
<td>Nil</td>
</tr>
<tr>
<td>Management of forensic examination of crime scene, at request of S.I.O. or senior S.O.C.O.</td>
<td>Attendance at scene within 2 hours of request</td>
<td>90%</td>
<td>Provision of exhibits room</td>
</tr>
<tr>
<td>Assessment of scale of enquiry and resource implications</td>
<td>1st: within 36 hours of appointment of S.I.O.</td>
<td>90%</td>
<td>To take active part in review process</td>
</tr>
<tr>
<td></td>
<td>2nd and subsequent assessments: after 28 days, at weekly intervals by ACPO-level officer</td>
<td>100%</td>
<td>To take active part in review process</td>
</tr>
</tbody>
</table>

*Source: Surrey Police*
### Box N

**Stages in the development of SLAs**

**Stage 1**
Provider sets out for users a full description of the services currently available; users now more aware of what they are receiving.

**Stage 2**
Agree prices to be paid for these services: not overly-detailed at this stage – initially may be on input cost basis. SLA relates service descriptions to pricing arrangements; part of budget devolved to users.

**Stage 3**
Increasing proportion of budget devolved to users; pricing bases are further developed e.g. output-related; users play active part in setting service standards within SLA.

**Stage 4**
Whole SLA process reviewed to identify scope for users acting collectively to negotiate price, type, quality etc. of central support services. SLAs developed to provide basis of documentation for external contract (voluntary or compulsory tendering, as appropriate).

### Summing up on SLAs

114. This is not intended to be an exhaustive treatment of service level agreements or service standards, and Appendix 2 provides sources of reference for a more comprehensive coverage of the topic. However, it may be useful to draw together some strands of good practice (Box O).

### Compulsory competitive tendering

115. For police authorities and forces, contracting with third parties is not new; they have often used external contractors to meet specialist needs such as designing and installing IT systems. But generally they manage people rather than contracts. The compulsory competitive tendering (CCT) process began with the Local Government, Planning and Land Act 1980, covering services such as highways and buildings construction. It created two distinct roles: the client has the role of service planning, defining the work to be delivered by the contractor, and letting and managing the contract. The contractor may previously have been part of the same department as the client, in which case the term direct service organisation (DSO) is often used, but could equally well be an external company.

116. The Local Government Act 1988 extended CCT to a wider range of 'blue-collar' activities. It broke new ground in that, for some of these activities, local authorities had to specify services rather than visible products. Four of the activities defined in the 1988 Act were undertaken by police forces – ground maintenance, cleaning of buildings, catering and the repair and maintenance of vehicles. However, the cleaning of police buildings and police vehicle repair and maintenance were exempted.
### Service level agreements: good practice checklist

**General**
- SLA initially drawn up by provider but involving users, who become increasingly proactive
- SLAs are not drawn up for every aspect of every support service
- A good SLA will form the basis for contract documentation for a contracted service
- SLA should be flexible in order to cope with likely changes in circumstances
- It should build in continuous improvement goals over the period of the SLA
- SLA should clearly identify prices where these are appropriate

**Format**
- SLA sets out clearly the content and operation of the agreement and mutual responsibilities
- SLAs are short (3 or 4 pages), with references to other documents e.g. corporate plan

**Service specification should define:**
- outputs required from service, where possible
- timescale for achievement of outputs
- processes and inputs where statement of outputs would not be sufficient (for example, when specifying the type of materials to be used)
- estimated volume of service required
- reciprocal duties of the user

**The SLA should specify:**
- the parties to the agreements
- named officer contacts
- powers and responsibilities of individual users, providers and HQ
- how changes are to be made to the specification
- payment arrangements, as appropriate (frequency, basis of charging etc.)
- how to deal with poor performance
- the date the SLA expires
- factors outside the control of the parties to the SLA

**A successful SLA allows users:**
- to control the standards of service they can expect and to monitor their achievement
- to amend these standards in the light of experience
- to determine the volume and type of service they receive
- to control the costs of the service and of processing SLA transactions through appropriate invoicing mechanisms
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initially, principally on security grounds. But the Local Government Act 1992 signalled the government's intention to end this exemption and expose significant tranches of police support services to CCT. This section aims to give general background and advice on CCT issues – and in particular the client role – for those police managers who have not so far had to grapple with the details.

Building cleaning and vehicle repair and maintenance

117. The Home Office began consultation in this area in April 1994 and the proposals will not be finalised until Autumn 1994, so the details set out below are provisional. The key features are:

(i) scope of the competition requirements – in the light of the security concerns which initially exempted all of this work from the competition requirement, the Home Office proposes that forces be allowed to retain some in-house facilities; only 40% of vehicle maintenance will therefore be subjected to CCT, with 60% exempted. For cleaning, the suggested exemption is lower at only 10%, which would guarantee the capacity to use direct labour to clean the most sensitive areas of police buildings. In both cases, the competition requirement is a minimum level; police authorities are able, if they wish, to expose a greater proportion to competition.

(ii) de minimis provisions – where the annual value of the work is below a specified threshold the activity is exempt from CCT, on the grounds that for such amounts the cost of tendering is likely to exceed any anticipated benefits. The proposed de minimis levels are £250,000 for vehicle maintenance and repair, and £110,000 for cleaning, applied on a simple cut-off basis. Thus if the total vehicle maintenance budget is £240,000 then the force would be exempt from CCT; if, however, the budget is £260,000 then 40% of the total – £104,000 worth of work – is subject to competition.

(iii) CCT credits – the competition requirement may be offset or deemed to have been met if the work is:

♦ being done in-house following a rigorous voluntary competitive tendering exercise (if conducted after April 1994, this tendering exercise must comply with Sec. 6 of the 1988 Act); or

♦ already contracted out, whether through a competitive tendering process or otherwise.

(iv) timetable – the new police authorities created by the Police and Magistrates' Courts Act come into existence in April 1995. The Home Office proposals allow a lead time of 18 months for the CCT process before obligations have to be met – six months preparation and twelve months for tendering and letting the contract. This would mean that the first contracts for these two defined activities would need to be in place by 1 October 1996. There is of course nothing to stop contracts being let before this date, provided that they comply with the tendering

78
Extending CCT to professional services

118. In Spring 1994 the Home Office began consultation on a rolling programme for the extension of CCT to white collar services, beginning with elements of legal services provided by police authorities and construction-related services. If the pattern of CCT application to local government services is replicated for police authorities, then — subject to ministerial approval — IT, finance, personnel and corporate administration services will also be brought within the scope of CCT. For legal services it is proposed that police authorities should have complied with their obligations under the CCT regime by April 1997. Other dates are subject to consultation and the outcome of local government reorganisation.

119. This extension of CCT will pose a major challenge to managers in police forces and police authorities, as it has done for local authorities since the 1988 Act came into force. But the benefits have been significant too. The need to define a specification has forced managers to ask basic questions such as "Why do we do things this way?" or even "Why do we do these things at all?". Decisions on the amount and quality of services are more likely to be taken at the point of service delivery and involve consultation with end users — a key determinant of successful CCT.

120. Savings have been made by local authorities in the overall cost of services subject to competitive tendering, averaging 6.5% over all blue-collar activities covered by the 1988 Act. This average covers significant savings in some service areas, e.g. almost 13% on building cleaning and more modest savings of 5% on catering and just over 1% on vehicle maintenance. Because police service CCT is on a slower track than CCT in local government, police managers have an opportunity to move up the learning curve, benefiting from the advantages that CCT has brought and avoiding some of the problems experienced by their counterparts in the town hall.

The client role

121. Where they have not already done so, forces should designate key client-side officers for all activities subject to the CCT legislation, even those services for which CCT will not be introduced for some time. This allows those staff to prepare fully for their role, and learn from the experience of client-side management in local authorities. The client role of contract preparation and contract management is no different whether the contract work is carried out in-house or by an external contractor. It comprises six interdependent elements (Exhibit 19, overleaf) — thus if the specification is deficient then contract monitoring may be ineffective; if the contract conditions are inadequate then administration will be difficult. The complexity and cost of client-side activities will vary according to the service. Vehicle maintenance, for example, requires greater technical knowledge to define and monitor the service than, say, catering, and the cost of the client-side activities for vehicle maintenance...
averages around 8% of total annual turnover for local authority vehicle maintenance contracts.¹

122. The specification is the key document in the CCT process and merits considerable attention. A poor understanding of users' requirements is a principal cause of unsatisfactory specifications, and users of the service should be consulted about their needs well before the specification is finalised. The early specifications in local authorities tended to codify existing processes, based on the service providers' current working methods. With experience, client-side managers placed more emphasis on a quality service for their consumers. Specifications are now more likely to start with a definition of the required outcomes and outputs and then focus on inputs and processes where necessary (Exhibit 20). For example, the specification for a grass-cutting contract might stipulate that the grass should not exceed a length of three centimetres, rather than saying that the grass should be cut once a fortnight. But although the specification may be developed around outputs, other stipulations may be necessary — for example, a vehicle maintenance contract should specify that only authorised manufacturers' spare parts may be used.

Exhibit 19
The client role

The six elements of the client role are interdependent ...
Specifications should start with a definition of the required outputs ...

**Contract conditions**

123. Contract conditions should spell out the responsibilities of the various parties to the contract and last for the duration of the contract. It is essential that client-side managers seek legal advice when drawing up conditions, which should satisfy eight key questions (Box P).

**Box P**

**Key questions to be answered by the contract conditions**

1. Who are the parties to the contract?
2. What are the powers and responsibilities of these parties?
3. When and how does the contract come into effect?
4. How are changes to be made to the specification?
5. What are the arrangements for making payments?
6. What happens when things go wrong?
7. What provisions are there for events outside the control of the contract parties?
8. What happens at the end of the contract?
Letting the contract

124. The current CCT regulations, which will apply to extensions of CCT, define the process to follow in letting contracts. There are eight stages, divided between client and contractor (Exhibit 21). It cannot begin until the contract documentation – specification, contract conditions, questionnaire to contractors etc. – is complete, which is why the CCT process has a long lead time. Compliance with the letter of the CCT legislation will not in itself guarantee genuine competition and value for money. Forces need to be positive in their dealings with potential contractors. Consideration should be given to the way that contracts are packaged so that competition is maximised; thus, for example, dividing the building cleaning work into a number of smaller contracts is likely to encourage bids from smaller companies.

125. Some good practice points on tender evaluation to note are:

♦ information given to one tenderer must be given to all tenderers;
♦ evaluation must be done on a systematic basis using criteria which have been decided in advance and made clear to tenderers;
♦ when bids are much lower than the client manager expected, the reasons should be explored – the contractor may have failed to price part of the specification, for example.

Exhibit 21
Letting the contract

There are eight stages in the process, divided between client and contractor ...
6 Preparing for Competition

Contract administration and monitoring

126. Inevitably, the first rounds of CCT saw deficiencies in contract preparation and letting, creating problems which authorities had to live with for several years until the contract expired, or pay more for variations. But poor management of contracts increases the pressure from end users to pull out of contracts, whilst good monitoring and administration can improve matters. In particular, the client side should ensure that monitoring results feed through to contractor payments through application of default clauses. Monitoring may be conducted through client-side and user inspections, but contractors should also monitor their own contracts through the use of quality assurance.

Summing up the client role

127. These elements of the client role and ways of avoiding some of the problems experienced in local authorities are summarised below (Box Q, overleaf). The lead in to letting contracts by the determined dates will be helped by agreement to a timetable that charts the key stages in the process (Exhibit 22).

Exhibit 22
Illustrative timetable to meet CCT requirements

Charting the key stages will help in preparation for letting contracts ...

<table>
<thead>
<tr>
<th>Service</th>
<th>Start Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal services</td>
<td>Feb 1995 to Feb 1996</td>
<td>April 1996 to Feb 1996</td>
</tr>
</tbody>
</table>

* If contract value exceeds 200,000 ECUs (around £149,000), may need to advertise in European Journal

** The governments proposals for extending CCT have yet to be finalised; the contract commencement dates are those on which consultation was based. The timetable can be expanded to incorporate the remaining services (IT, personnel, finance and corporate administration) by working back from the date by which contracts must be let, and allowing a similar elapsed time between key stages.
The service direction sets out the policy objective for a service, reflecting the demands and expectations of consumers. The contract strategy translates this into operational contracts e.g. one large contract or several small ones.

Determine realistic service direction and appropriate strategy:
- balance priorities
- obtain market intelligence
- package contracts to maximise interest
- plan for contingencies

The specification translates policy objectives into contract terms.

Write specification to:
- reflect consumers’ views
- define contract outputs as far as possible
- allow flexibility for changing circumstances
- take account of experience with first round contracts

The contract conditions set out the service framework.

Ensure contract conditions are comprehensive:
- define responsibilities of parties to the contract
- spell out how variations should be made
- clarify alternatives if things go wrong
- set out administrative arrangements

The contract letting process evaluates tenders and awards the contract.

Make contract letting procedures as transparent as possible:
- define and adhere to timetable
- provide relevant information to all potential tenderers
- carry out tender evaluation fairly
- utilise mobilisation period to resolve anticipated difficulties

Contract monitoring evaluates whether the service has been delivered as specified.

Involve consumers and contractors in contract monitoring:
- understand the purpose of monitoring
- utilise complaints systems, and encourage consumer feedback
- encourage contractor quality assurance
- provide monitoring information to interested parties

Contract administration – communication with/paying contractors, levying defaults etc.

Streamline contract administration:
- set out clear responsibilities
- hold regular meetings between client, contractor and consumer
- resolve problems at the local level if possible
- apply defaults fairly
- use arbitration procedures where appropriate
6 Preparing for Competition

Checklist for action

1. Review SLAs currently in place, for example, between the force and the county council; is their quality and level of detail sufficient to use them as the basis for contract documentation?

2. Before pursuing a fully-fledged SLA for a particular function, force management teams should, in discussion with departmental heads and other relevant officers, specify exactly what they are seeking to achieve through its introduction.

3. SLAs should contain clear statements of the services and service standards to be provided, preferably specified in terms of outputs rather than inputs.

4. The operation of SLAs should be kept under review to ensure that they are administratively simple and not over-bureaucratic.

5. It is essential that users are consulted about the SLA content and are able to influence the key terms.

6. Forces should assess whether the development and operation of SLAs complies with the good practice points set out in Box O.

7. If they have not already done so, forces should prepare reports for their police authority on service direction and CCT contract strategies; shadow authorities need to ascertain what action, if any, is required before April 1995.

8. The police authority and the force should designate officers to fulfil client-side responsibilities for defined activities.

9. Forces should:
   - identify the 40% of vehicle maintenance work and 90% of building cleaning work which is to be subject to CCT;
   - prepare detailed timetables for preparing to let contracts for vehicle maintenance and building cleaning;
   - prepare an outline timetable for professional services CCT;
   - agree specifications for vehicle maintenance and building cleaning CCT activities;
   - begin user consultation for professional services subject to CCT;
• develop service level agreements for professional services as part of CCT preparation;
• identify lead responsibility for drawing up specifications and contract documentation for professional services CCT.

10 In preparing draft specifications for professional services, forces should maximise the use of outcome and output measures.
Appendices

The Police and Magistrates' Courts Act will be accompanied by a Code of Practice on Financial Management issued under Section 28C of the 1964 Police Act. This provides advice on financial arrangements which new police authorities are legally obliged to have regard to under Section 4 of the 1994 Act.

The Code provides guidance on what should be the scope of an authority's financial regulations, which govern the relationship between the authority and the force, and the force's own financial instructions, which deal with matters delegated to the chief constable. The Code identifies the statutory duties which will remain the responsibility of the police authority treasurer and those activities which should be delegated for day to day management by the force. Typical information flows and delegated authority relationships between officers of the authority and the force, and within the force, are illustrated overleaf.

The Code sets out the principles that police authorities and forces should adopt in establishing their financial arrangements. It suggests that these procedures should encourage the maximum delegation of financial responsibility from the authority to the force, and within the force to local commanders, subject to the adequacy of systems and expertise to carry out these tasks.

The Code outlines some key factors that forces should consider in carrying out these delegated functions. All forces should have their own finance team, headed by a person who – in the longer term if not immediately – holds a formal accounting qualification. This officer should sit on the force management team and has a key role in advising the chief constable on discharging these delegated responsibilities.

Internal audit is the responsibility of the police authority treasurer, although the chief constable will receive audit reports and can request systems or VFM audits 'as an essential tool of good management'. The Code recommends that police authorities establish an audit committee, chaired by a member of the police authority other than the authority's chairman. This committee would oversee the internal and external audit functions and co-ordinate the respective audit needs of the Treasurer and the Chief Constable.

The Code gives details of the provisions whereby a force can accept gifts, loans and sponsorship to enable it to extend or enhance its services. A maximum value of 1% of total budget has provisionally been set.

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Note 1: This description is based on the draft Code; at the time of going to press, the Code had not been laid before Parliament.
Exhibit A1
Information flows and delegated authority relationships

The Code identifies the statutory duties of the police authority treasurer and those responsibilities which should be delegated ...
Appendices

Appendix 2 – Additional Sources of Information and Reference

1. Audit Commission papers on financial management
   
   
   
   
   

2. Advice on CCT
   
   *Realising the Benefits of Competition: the Client Role for Contracted Services*, Audit Commission, 1993
   
   
   *Quality in the Balance: Safeguarding Quality in CCT for White Collar and Professional Services*, LGMB (on behalf of AMA, ACC, ADC and COSLA), 1994
   
   *Competing for Quality: Competition in the Provision of Local Services*, DOE, HMSO, 1991
   
   *Agreeing on Quality? Service Level Agreements*, AMA, 1991
   
   *CCT for Professional Services – Documentation*, AMA, 1994
   
   *Going Public in Europe – a Guide to the EC Public Procurement Directives*, AMA, 1993

3. Business/service planning
   
   
   *A Detailed Handbook for Public Service and Business Plans*, Centre for Public Services, 1993
   
   *Police Management* (especially on the development and application of Policing by Objectives), A.J.P. Butler, Gower, 1984

4. Other issues
   
   
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District Auditors were first appointed in the 1840s to inspect the accounts of authorities administering the Poor Law. Auditors ensured that safeguards were in place against fraud and corruption and that local rates were being used for the purposes intended. The founding principles remain as relevant today as they were 150 years ago. Public funds need to be used wisely, as well as in accordance with the law. The task of today's auditors is to assess expenditure, not just for probity and regularity, but for value for money as well.

The Audit Commission was established in 1983 to appoint and regulate the external auditors of local authorities in England and Wales. In 1990 its responsibilities were extended to include the National Health Service. For more information on the work of the Commission, please contact:

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