

Meeting: Executive

Portfolio Area: Resources & Performance and Improvement

Date: 9th November 2005

CPA – USE OF RESOURCES ASSESSMENT

(Corporate)

NON-KEY DECISION

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1 PURPOSE

1.1 To update Members on the Councils submission for the new ‘Use of Resources’ assessment that will be carried out annually as part of the Audit Commission’s CPA.

2 RECOMMENDATIONS

2.1 That Members note the ‘Use of Resources’ self assessments submitted to the Audit Commission on the 30th September 2005.

2.2 That the following addition be made to the Terms of Reference for the Performance, Priorities and Improvement Group – “Responsibility for the ongoing development of Corporate Risk Management.”

2.3 That Council be recommended to approve the following addition to the terms of reference for the Scrutiny Overview Committee – “Responsibility for the review and approval of the Statement of Internal Control”

3 BACKGROUND

3.1 The Use of Resources judgement assesses how well the council manages and uses its financial resources. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the council’s priorities and improve services. It covers:

- financial reporting;
- financial management;
- financial standing;
- internal control; and
- value for money

- 3.2 The value for money element will complement work completed by councils in producing their annual efficiency statements. Auditors will be reviewing, as part of the value for money assessment, councils' annual efficiency statements setting out the efficiency gains delivered under the 'Gershon' efficiency review. However, in reporting back to the council on the results of their value for money assessment, they will, from 2006, report by exception where they have specific concerns about the process followed by the council in compiling the efficiency statement or where the statement is not consistent with the auditor's knowledge of the council obtained through other audit work. Efficiency gains supported by appropriate evidence and any concerns will anyway be reflected in the auditor's overall value for money assessment.
- 3.3 The use of resources assessment will be conducted annually in all councils. It has been significantly revised from that used in previous single tier and county council CPA assessments and the auditor judgements that were used in District CPA. The revised use of resources assessment will offer stronger judgements on financial reporting, financial management, internal control, and financial standing. The questions on which the judgements will be based are broader and more strategic in their nature and reflect the impact of financial arrangements as well as the adequacy of those arrangements. As a consequence Councils have been advised that where they previously scored a 3 (out of 4) for a particular section of the assessment, the new criteria is likely to mean they will now only score a 2 (out of 4).
- 3.4 The value for money judgement draws on a self-assessment by the council. The higher standards now included reflect a widespread view that the previous criteria did not sufficiently differentiate between varied levels of performance. They also reflect the principle of continuous improvement and will help establish clear minimum requirements that will provide the foundation for reducing regulation in the future.
- 3.5 The overall use of resources score will be based on combining auditors' scores for each of the areas covered. The score will be on the following scale:
- 4 = well above minimum requirements – performing strongly
 - 3 = consistently above minimum requirements – performing well
 - 2 = at only minimum requirements – adequate performance
 - 1 = below minimum requirements – inadequate performance
- 3.6 Each judgement area consists of a number of key lines of enquiry (KLOE) and areas of audit focus and evidence. Descriptions of performance against each key line of enquiry showing what the Council needs to do to achieve performance levels 2, 3 and 4 are also included in the KLOE.
- 3.7 The completed 'Use of Resources' self assessments were submitted to the Audit Commission on the 30th September 2005.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1. Completion of the Self Assessments

4.1.1. The 2 assessments completed have been put in the Members Library. They are :-

- Key lines of enquiry for 'Use of Resources' – covering financial reporting, financial management, financial standing, internal control, value for money
- Value for money self assessment – covering how well does the council currently achieve good value for money and how well does the council manage and improve value for money.

4.1.2. The Councils completion of the assessments were undertaken corporately. The Audit Commission state that the assessment looks at how financial management is integrated with strategy and corporate management and supports council priorities. It is suggested that ownership and responsibility within the Council should therefore reflect this, and while the Chief Financial Officer will have a crucial interest, they strongly suggest the assessment is treated a corporate responsibility. SBC followed this recommended approach, with SMB considering the issues raised as part of the self assessments over a number of weeks and fully engaged the Heads of Service to interpret and explain each of the Council services cost base, service quality, and satisfaction results, all of which contribute towards delivering Value for Money services.

4.1.3. Part of the guidance on completing the assessments was the opportunity to provide the Audit Commission with a draft copy of our completed assessments to obtain their views on the direction and overall content. SBC took up this offer, and was pleased to receive positive feedback on the document at that stage.

4.1.4. A summary of our self assessment scoring is as follows :-

	Level 1	Level 2	Level 3	Level 4
Financial Reporting	Pass	Pass	Pass	Fail
Financial Management	Pass	Pass	Pass	Fail
Financial Standing	Pass	Pass	Pass	Fail
Internal Control	Pass	Pass	Pass	Fail
Value for Money	Pass	Pass	Pass	Fail
Overall Self Assessed Score	Pass	Pass	Pass	Fail

However, it must be stressed that the Audit Commission will form their own independent opinion and this score may therefore change.

4.2 Issues arising from the Self Assessments

4.2.1 A number of issues for further consideration were identified during the compilation of the self assessments. They were :-

- (a.) To assist Council's with the value for money self-assessment the Audit Commission launched a web based VFM Profile tools. The tool pulls together information that is currently available on Council spending and performance and allows high level comparisons to be made. However, upon use it became

evident that some results could not be reconciled back to our known expenditure levels, and consequently concerns have been expressed to the Audit Commission regarding the accuracy and use of the tool, particularly when comparing us to other / similar Councils.

- (b.) A general assumption embedded within the self assessment that high spending cannot equate to providing value for money services. Officers have disputed this assumption, and stated that it is up to each Council to determine and evidence how it provides value for money in the services that it runs based on the resources allocated to it.

- (c.) A need to explicitly identify the following roles of the PPIG and Scrutiny Overview Committees in the terms of reference as follows :-

Committee	Role to add to Terms of Reference	Reason
PPIG	Responsibility for the ongoing development of Corporate Risk Management.	To clarify PPIG's role in monitoring the Council's Corporate Risk Register & Strategy
Scrutiny Overview	Responsibility for the review and approval of the Statement of Internal Control	To ensure the Statement of Internal Control is reviewed on a periodic basis prior to the creation of an Audit / Use of Resources Committee

In addition, in order for the Council to consolidate its Level 3 self assessment and reach a Level 4 in a future assessment a detailed action plan is now in the process of being developed that will form the basis of Finance's Service Plan and will ultimately be delivered through the 'Improving Financial Management' project.

4.3 **Audit Commission Inspection**

- 4.3.1 Following our regular liaison meetings with the Audit Commission a date of the week commencing 5th December 2005 has now been set for the inspection of our 'Use of Resources' assessment.
- 4.3.2 Early guidance indicates that a team of three Audit Commission auditors will be on site at the Council for up to a week. It is expected that the team will comprise of two financial auditors and one performance specialist. We are encouraged to treat the inspection as a mini CPA.
- 4.3.3 Assessment fieldwork for all District Councils is due to be completed by the end of January 2006, with draft scores shared with the Councils in February 2006. The final scores will then be published in March 2006 as part of the annual audit and inspection letter.

5 IMPLICATIONS

5.1 Financial Implications

The Use of Resources assessment and inspection, reviews all aspects of financial management across the Council. Review and enhancement of operations in line with best practice, as indicated in the Audit Commission's Use of Resources Statement, will further strengthen the Council's sound base of strong financial management and assist in mitigating against future risk, reviewing Value for Money etc.

Costs relating to the inspection in December are already included within the annual Audit Commission fee.

5.2 Legal Implications

None identified at this stage.

5.3 Policy Implications

The score that results from our Use of Resources assessment and inspection will have significant impact on any future Comprehensive Performance Assessment rating. The framework for future CPA is still out for consultation but whatever approach is agreed by the Audit Commission, the Use of Resources score this year and in future years will be vitally important.

Whilst there are no immediate policy implications there may be an impact on future council policies.

APPENDICES

- Appendix A – Completed Use of Resources Key Lines of Enquiry [In Members Library]
- Appendix B – Completed Value for Money Self Assessment [In Members Library]

BACKGROUND DOCUMENTS

- Audit Commission Use of Resources – Guidance for Councils