

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

**COMPREHENSIVE AREA ASSESSMENT AND
USE OF RESOURCES REVISED CRITERIA 2009**

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 From 1 April 2009 the Comprehensive Performance Assessment (CPA) is replaced by the Comprehensive Area Assessment (CAA). This report gives an overview of the CAA proposals, and sets out changes to the Use of Resources criteria for 2009 and the action necessary to meet these requirements.

2. BACKGROUND INFORMATION

2.1 The Audit Commission has recently published revised proposals for the new CAA assessment that is to apply to the 2008/9 financial year. The CAA has two main parts an area assessment and organisational assessments for the council, PCT, Police and Fire services. These latter are composed of two parts, Use of Resources and a Managing Performance theme.

2.2 In May 2008 the Audit Commission issued a document 'Use of Resources 2008/9' setting out its proposed approach to Use of Resources under the Comprehensive Area Assessment (CAA) process. Further consultation is taking place on the details of the approach, and further guidance is expected, but the shape of the expectation is now sufficiently clear for work to begin on assessing its implications for the council. In any case, the criteria will be used to judge the council's performance in 2008/9 and as we are now well into that year action on any areas of weakness needs to begin soon.

2.3 The Use of Resources assessment considers how well organisations are managing and using their resources to deliver value for money and better and sustainable outcomes for local people. It is now to be structured into three themes instead of the current five, with Value for Money in the use of resources at the core of these:

- Managing finances
- Managing resources
- Governing the business

2.4 As at present these three areas will be scored based on Key Lines of Enquiry (KLOE) as self-assessed by the council and evaluated by Audit

Commission staff. The proposed KLOEs are set out at Appendix 1. They are more broadly based than previously and embrace wider resource issues such as people and workforce planning, and the use of natural resources. They also focus more on VFM achievements, outputs and outcomes rather than on processes, are more strategic and less detailed. The Audit Commission also intends to publish 'characteristics of performance', essentially good practice guidance against which the KLOEs will be judged, but these are not yet available. Not all KLOEs will be assessed every year, for 2009 the proposal is that all will be assessed except for 3.3, workforce issues.

2.5 Scoring will be as now, on a 1-4 scale. Level 1 represents a failure to meet the minimum requirements at level 2. They are cumulative as now, so the requirements at level 2 have to be met in addition to those at level 3 in order to meet level 3. In addition, and as now, the external auditors will make a value for money judgement in their statutory audit report as to whether they are satisfied that the council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This judgement is informed by the KLOEs and is a 'yes/no' judgement.

2.6 The area assessment aims to join up assessments for local services and looks at how well all local public services are making a difference for local people in priority areas. The consultation paper proposes that 3 key questions will be asked:

- How well do local priorities express community needs and aspirations?
- How well are outcomes and improvements needed being delivered?
- What are the prospects for future improvement?

2.7 A report has been presented to the September meeting of the Cabinet on the consultation paper and Cabinet have resolved that a formal presentation should be given by the Audit Commission to the next Cabinet and that the council's Performance Manager should respond to the consultation questions on the council's behalf.

2.8 Meetings have also taken place with the Audit Commission following the consultation and briefings given to the Council Management Team, the LSP and Senior Managers throughout the council.

2.9 The LSP have revised their performance management framework to ensure it is more aligned to the future assessment and performance management will now be coordinated by the council on behalf of the LSP. In addition a process for addressing risk areas has been agreed. Where there is concern that areas of risk that are not being addressed effectively by the LSP they will be reported back to the council through the corporate QPR and to the appropriate scrutiny committee.

2.10 The managing performance assessment will consider how effective the organisation is at:

- Identifying and delivering priority services, outcomes and improvement
- Providing leadership, capacity and capability it needs to deliver

- Contributing to wider community outcomes
- Tackling inequality and improving outcomes for the vulnerable

3 OPTIONS FOR CONSIDERATION

3.1 A revised approach is to be implemented for Use of Resources. Currently the exercise is led by the Finance service, with supporting input from staff in other services. The more wide-ranging nature of the assessment means that this arrangement is no longer appropriate, and there will be a professional lead outside Finance for some of the KLOEs. Overall coordination by Finance will remain in order to ensure consistency. The new Managing Performance element will be led and managed separately by Strategy and Performance.

3.2 Lead services for each of the KLOEs are as follows:

Finance Service: 1.1, 1.2, 1.3, 2.1, 2.4: financial planning, cost and performance, financial reporting, procurement, risk and internal control

Strategy and Performance: 2.2, data and performance

Legal and Democratic: 2.3, governance

Highways and Planning: 3.1, natural resources

Asset Management and Culture: 3.2, asset management

Human Resources: 3.3, workforce issues

3.3 Although detailed guidance has yet to be published, it is inevitable that this new approach will bring a 'raising of the bar' yet again. A move from assessing process to assessing outcomes will also bring difficulties, in addition to the extension of the assessment to new areas such as natural resources and workforce issues. Informal views from other authorities are that current level three achievement will become level two under the new regime, ie 'good' practice will become the new 'satisfactory'.

3.4 An overview assessment of new requirements is to be carried out to draw up an action plan to deal with the new challenges given by this assessment regime: implementation will then follow. An examination of the proposals indicates new requirements in Managing Resources (with Managing the Workforce to follow) and also in areas covered by the existing Use of Resources assessment as follows:

- financial management, values and training
- whole life costing
- the cost/performance link
- achievement of planned efficiencies
- commissioning and procurement practices shaped by desired outcomes for local people
- involvement of local people, partners, staff and suppliers in commissioning decisions

- influencing and developing the supplier market
- inclusion of wider social, economic and environmental objectives in competitiveness and vfm decisions
- works with partners to ensure the quality of partnership data
- applies the principles and values of good governance to its partnership working
- risk management arrangements cover partnership working
- works with community groups to maximise the use of assets for the local community

4. ANALYSIS OF OPTIONS

Use of Resources criteria demonstrates best practice as defined by the Audit Commission and therefore defines standards the council should achieve and aim towards. Inappropriate consideration of changes to the Use of Resources criteria may result in inadequate professional standards being met and poor inspection results. In particular, an unacceptable CPA score could result if appropriate action is not taken now.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

The organisational assessment will ensure that the council's financial, value for money, governance, data quality, asset management and performance arrangements remain in line with best practice

The additional work required in this evaluation will bring additional demands on staffing resources and funding was provided in the 2008/9 budget for this purpose.

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 – CRIME AND DISORDER, RISK AND OTHER)

6.1 External Audit and inspection duties are statutory requirements under the provisions of the Audit Commission Act 1998, the Code of Audit Practice and the Local Government Act 1999.

The organisational assessment will strengthen the council's arrangements in respect of environmental, diversity and risk issues.

7. OUTCOMES OF CONSULTATION

7.1 The proposed approach to the Use of Resources process is the result of consultation with relevant Service Directors.

7.2 This report will also be used to inform the Council Management Team of the actions necessary to meet changes to the Use of Resources criteria and provide an opportunity to consider the council's approach to achieve and evidence these changes.

7.3 The Local Strategic Partnership and Partnership Performance Group have been consulted on the new arrangements and have agreed the amendments to the performance framework.

8. **RECOMMENDATIONS**

8.1 That the replacement of CPA by CAA and the revised approach to the Use of Resources assessment be noted.

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Background Papers used in the preparation of this report

Audit Commission – Use of Resources 2008/09 – Overall approach and key lines of enquiry

Appendix 1 – Themes and key lines of enquiry

Managing finances

How effectively does the organisation manage its finances to deliver value for money?

1.1 Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?

KLOE focus

The organisation:

- integrates financial planning with strategic and service planning processes on a medium- to long-term basis;
- engages local communities and other stakeholders in the financial planning process;
- manages spending within available resources and is financially sound over the medium term; and
- recognises individual and collective responsibilities for financial management and values and develops financial skills.

1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?

KLOE focus

The organisation:

- understands its costs, including whole life, transaction and unit costs, the main factors that influence these and how they link to performance;
- takes account of this understanding of its costs and performance in decision making and commissioning; and
- identifies the scope for making efficiencies and is on track to achieve planned efficiencies.

1.3 Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?

KLOE focus

The organisation:

- produces relevant, timely and reliable financial monitoring and forecasting information;
- uses financial and related performance information to monitor performance during the year;

- produces financial reports that are clear, relevant and concise to support strategic decision making;
- prepares accounts that meet statutory requirements, financial reporting standards and present fairly, or give a true and fair view of, the financial performance and position; and
- publishes reports that provide an objective, balanced and understandable assessment of the organisation's performance in the year.

Governing the business

How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people?

2.1 Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?

KLOE focus

The organisation:

- has a clear vision of intended outcomes for local people which shapes its commissioning and procurement, and is based on an ongoing analysis and understanding of needs;
- involves local people, partners, staff and suppliers in commissioning services;
- seeks to improve the customer experience, quality and value for money of services through service redesign, making effective use of IT;
- understands the supply market and seeks to influence and develop that market;
- evaluates different options (internal, external and jointly with partners) for procuring services and supplies; and
- reviews the competitiveness of services and achieves value for money, while meeting wider social, economic and environmental objectives.

2.2 Does the organisation produce relevant and reliable data and information to support decision making and manage performance?

KLOE focus

The organisation:

- produces relevant and reliable data and works with partners to ensure the quality of partnership data;
- understands the needs of its decision makers and provides them with information that is fit for purpose and is used to support decision making;
- ensures data security and compliance with relevant statutory requirements; and
- monitors performance against its priorities and targets, and addresses underperformance.

2.3 Does the organisation promote and demonstrate the principles and values of good governance?

KLOE focus

The organisation:

- has adopted, promotes and demonstrates, the principles of good governance;
- maintains focus on its purpose and vision;
- demonstrates a strong ethical framework and culture; and
- applies the principles and values of good governance to its partnership working.

2.4 Does the organisation manage its risks and maintain a sound system of internal control?

KLOE focus

The organisation:

- has effective risk management which covers partnership working;
- has a clear strategy and effective arrangements, including allocation of appropriate resources, to manage the risk of fraud and corruption; and
- has a sound system of internal control including internal audit.

Managing resources

How well does the organisation manage its natural resources, physical assets, and people to meet current and future needs and deliver value for money?

3.1 Is the organisation making effective use of natural resources?

KLOE focus

The organisation:

- understands and can quantify its use of natural resources and can identify the main influencing factors;
- manages performance to reduce its impact on the environment; and
- manages the environmental risks it faces, working effectively with partners.

3.2 Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?

KLOE focus

The organisation:

- has a strategic approach to asset management based on an analysis of need to deliver strategic priorities, service needs and intended outcomes;
- manages its asset base to ensure that assets are fit for purpose and provide value for money; and
- works with partners and community groups to maximise the use of its assets for the benefit of the local community.

3.3 Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?

KLOE focus

The organisation:

- has a productive and skilled workforce;
- knows in the medium to longer term what staff it will need, with what skills, and has plans to achieve this;
- engages and supports staff in organisational change; and
- has policies which support diversity and good people management.