

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

30 JUNE 2008

REPORT OF THE DIRECTOR OF FINANCE

USE OF RESOURCES 2009

1. EXECUTIVE SUMMARY

- 1.1 This report provides details of two documents recently published by the Audit Commission which will affect the Use of Resources (UoR). The Use of Resources 2009 Response to Consultation details the results of the consultation process undertaken in early 2008 relating to the 2008/09 assessment. The Use of Resources 2008/09 Overall Approach and key lines of enquiry details changes to the key lines of enquiry (KLOE) applicable for the 2008/09 assessment.

2. BACKGROUND

- 2.1 The Comprehensive Performance Assessment (CPA) succeeded the 'Best Value' regime during 2001/02 and provided an overall assessment of local authorities' performance as well as an assessment of service performance. Single tier authorities received their first CPA assessment scores in December 2002. In April 2005 the Audit Commission Code of Audit Practice gave auditors a specific responsibility to scrutinise local authority use of resources.
- 2.2 Local authorities are currently scored over a number of service areas which are combined with an annual Use of Resources and a triennial Corporate Assessment to produce an overall score. The Audit Commission also produces a 'Direction of Travel' assessment to indicate the scale of progress the Authority is making. The various scores are publicised via the Audit Commission website and press releases.
- 2.3 The service, UoR, Corporate Assessment and overall scores are based upon a standard scale as follows:

Score	Standard Scale
1	Inadequate Performance
2	Adequate Performance
3	Performing Well
4	Performing Strongly

2.4 The Use of Resources score is currently assessed over five themes.

Theme	Theme
1	Financial reporting
2	Financial management
3	Financial standing
4	Internal control
5	Value for money

These themes are further analysed over Key Lines of Enquiry with a series of individual criteria assessed by the Audit Commission.

2.5 In 2009 the Comprehensive Performance Assessment will be replaced by a new regime entitled the Comprehensive Area Assessment. CAA is intended to incorporate a wider assessment based more upon outputs and value for money than on processes. The new assessment will be area based and pick up on partnership working across the area and link with the new Performance National Indicator Set and Local Area Agreement. The Use of Resources judgement criteria are being amended to fit in with these changes.

2.6 The CPA will cease after the 2007/08 year with these final results published early in 2009. CAA will assess performance in the 2008/09 year. Final guidance is only expected to be received early in 2009 with the first results due to be published in November 2009

2.7 The Audit Commission issued two consultation documents in late 2007 on the CAA and proposed UoR changes. Cabinet on 7 February 2008 considered the UoR consultation paper and agreed a response. The responses to these consultations and some further UoR guidance have been published in May 2008. These documents are:

- Audit Commission Use of Resources 2009. Response to Consultation
- Audit Commission Use of Resources 2008/09. Overall Approach and key lines of enquiry
- Audit Commission Comprehensive Area Assessment. Consultation feedback and next steps

3. **USE OF RESOURCES 2009 RESPONSE TO CONSULTATION**

3.1 The 2009 Use of Resources is an assessment of the current year 2008/09. The proposed changes outlined in the original consultation and a proposed response were reported to Cabinet on 7 February 2008. This report described the intention to move towards a three theme assessment model, which was to be widened to include non-financial resources, and with an increasing emphasis on value for money.

3.2 In the summary of responses received the Audit Commission has restated its intention to move the UoR to fit in with the CAA framework. Following responses the three proposed theme titles have been renamed to better reflect the new approach as follows:

- Managing Finances (proposal was Managing Money)
- Governing the Business (proposal was Managing the Business)
- Managing Resources (proposal was Managing Other resources)

3.3 Following the consultation responses the original thirteen key lines of enquiry proposed have been reduced to ten. This is mainly a result of merging themes together but the proposed KLOE relating to ‘Leadership’ has been removed as it is too similar to the criteria within the Corporate Assessment.

3.4 The key lines of enquiry are now as follows:

	Managing Finances
1	Planning For Financial Health
2	Understanding Costs and Achieving Efficiencies
3	Financial Reporting
	Governing the Business
4	Commissioning and Procurement
5	Use of Information
6	Good Governance
7	Risk Management and Internal Control
	Managing Resources
8	Natural Resources
9	Strategic Asset Management
10	Workforce

3.5 As a result of the consultation the scoring regime has been amended. In future, not all KLOEs will be annually assessed. The Audit Commission will select on a sector or authority type basis which KLOEs will be assessed each year. For 2008/09 it is intended that nine out of ten KLOEs will be assessed. The workforce KLOE is excluded for 2008/09. The current 1 to 4 scoring system will be maintained. Any authority scoring a 1 in a KLOE will automatically have this KLOE re-assessed the following year. Further consultation is awaited as to the scoring rules to be applied on how the overall use of resources score will be determined.

3.6 The new KLOEs will result in a ‘wider’ assessment of use of resources. Increased emphasis on environmental, staffing, data and quality management will feature within the new assessment regime. The assessment covers much more than financial resources and will encompass all departments. The new KLOE will apply for 2008-09 but further detailed guidance on the criteria within the KLOEs is still awaited.

3.7 The current UoR action plan will require updating to reflect the changes to the KLOEs and the revised guidance when it is issued.

4. **USE OF RESOURCES 2008/09 OVERALL APPROACH AND KEY LINES OF ENQUIRY**

4.1 The Use of Resources 2008/09 overall approach and key lines of enquiry covers many of the points mentioned above including the wider definition of resources, increased emphasis on value for money and on outputs. It also confirms the three themes and ten key lines of enquiry to be examined as part of the annual UoR assessment process.

4.2 The document explains that the UoR assessment is designed to measure how well organisations are managing and using their resources to deliver value for money and better and sustainable outcomes for local people. The three themes are further explained as covering the following:

- Managing Finances: the importance of sound and strategic financial management
- Governing the Business : examines strategic commissioning and good governance
- Managing Resources: examines the effective management of natural resources, assets and people

4.3 The Use of Resources assessment by the Audit Commission will utilise a risk based approach. Authorities deemed on past experience to have good practices in place will have less work undertaken by the Commission than other authorities. Increased emphasis each year will also be placed on areas of significant change.

4.4 The scoring regime will continue as under the current arrangements with scores of between 1 and 4 which equate to performance which is either inadequate, adequate, performing well or performing strongly. Final details of the scoring rules for the overall UoR score are still to be determined. The Audit Commission has stated that in broad terms it expects evidence to show performance at each level which incorporates all of the features of the level below plus additional standards of performance as follows:

- Level 2: Arrangements are consistent with professional practice, meet statutory guidance and sufficiently address the KLOE
- Level 3: Level 2 plus implemented arrangements which are forward looking and effective, include sophisticated measuring and assessment techniques and where outputs and outcomes demonstrate arrangements which are effective and consistently provide benefits above minimum standards for value for money

- Level 4: Levels 2 and 3 plus demonstrating innovation or best practice, demonstrating strong outcomes for the community and achieving excellent value for money

4.5 The Audit Commission will be using the overall approach across the public sector. Detailed guidance is to be provided to each sector. This guidance is still awaited. The Audit Commission has however stated that auditors will make 'a rounded judgement against each KLOE' and that any guidance or evidence or characteristics detailed should not be treated as a rigid checklist. Although this approach may have some benefits there is a danger that it could also open up the auditor's judgement to become more subjective.

5. **FINANCIAL AND STAFFING IMPLICATIONS**

5.1 There are no direct financial or staffing implications arising out of this report.

6. **EQUAL OPPORTUNITIES IMPLICATIONS**

6.1 There are none arising directly from this report.

7. **HUMAN RIGHTS IMPLICATIONS**

7.1 There are none arising directly from this report.

8. **LOCAL AGENDA 21 IMPLICATIONS**

8.1 There are none arising directly from this report.

9. **COMMUNITY SAFETY IMPLICATIONS**

9.1 There are none arising directly from this report.

10. **PLANNING IMPLICATIONS**

10.1 There are none arising directly from this report.

11. **LOCAL MEMBER SUPPORT IMPLICATIONS**

11.1 There are no particular implications for any Members or wards arising out of this report.

12. **BACKGROUND PAPERS**

12.1. Audit Commission Use of Resources 2009. Response to Consultation – May 2008.

12.2 Audit Commission Use of Resources 2008/09. Overall Approach and key lines of enquiry – May 2008.

12.3 Audit Commission Comprehensive Area Assessment. Consultation feedback and next steps - May 2008.

13. **RECOMMENDATION**

13.1 That the Use of Resources action plan be updated to reflect the changes being made when the detailed guidance is received.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/145/08