

Local government

Consultation

April 2007



# Use of resources

Consultation on proposals for assessments taking place in 2008

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

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# 1

## Introduction

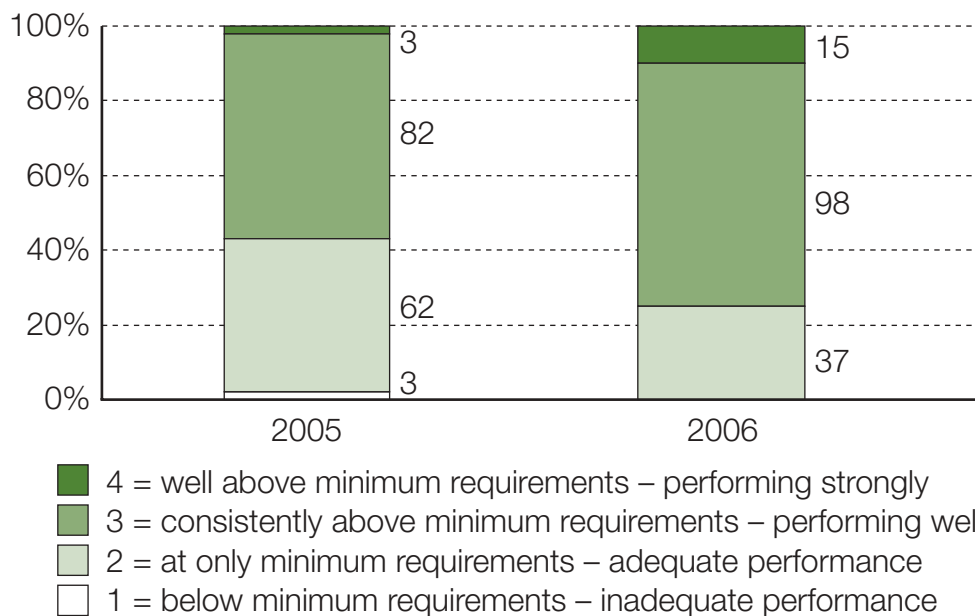
- 1 The use of resources assessment is an Audit Commission judgement about a council's performance in relation to five themes: financial reporting; financial management; financial standing; internal control; and value for money. The judgement evaluates how well councils manage and use their financial resources to support their strategic priorities, improve services and deliver value for money. The assessment is carried out annually, as part of each council's external audit. The judgement feeds into the Comprehensive Performance Assessment (CPA) categorisation for single tier and county councils and is a stand-alone assessment for district councils.
- 2 Use of resources aims to support councils in their achievement of continuous improvement. To do this we are committed to keeping the key lines of enquiry under review to ensure that the methodology continues to promote improvement in financial management; challenges councils to deliver better value for money; and promotes high standards of governance and accountability. Since the assessment was introduced in its current form in 2005, we have consulted with councils and made changes to the key lines of enquiry for the 2006 and 2007 assessments. We are now consulting on our proposed changes for the 2008 assessment, which will be based on the financial year 2007/08.

## Background

- 3 Councils have demonstrated improved performance in the management of their finances. The 2006 use of resources judgements were published for single tier and county councils on 11 January 2007 and will be published for district councils on 10 May 2007. The results for single tier and county councils showed a marked improvement in performance. Almost a third of single tier and county councils achieved a higher overall use of resources score in 2006 than in 2005. Three-quarters of single tier and county councils are now performing consistently above or well above minimum requirements (**Figure 1**).

**Figure 1****Overall use of resources scores for single tier and county councils 2005 and 2006**

There has been a general improvement in councils' overall scores since the first assessments in 2005.



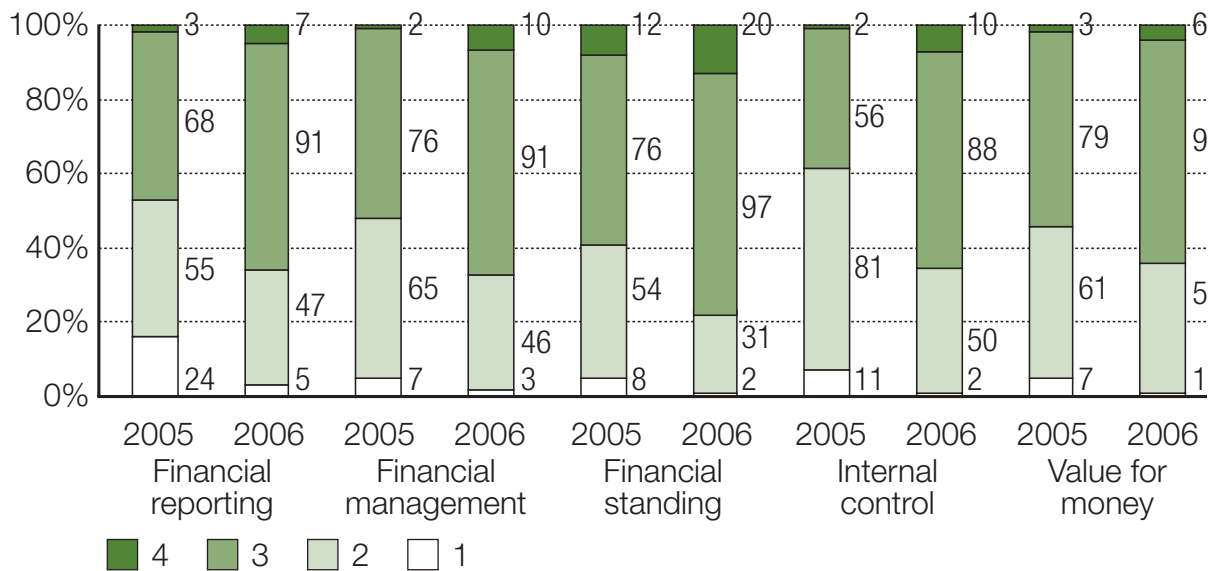
**Source:** Audit Commission

- 4 Similarly, for single tier and county councils there was an improvement in scores across all themes covered by the assessment (**Figure 2, overleaf**). It is evident from these results that councils have used the assessment to target improvements in areas of weaker performance, significantly reducing the number of themes assessed as not meeting minimum requirements.

**Figure 2**

**Use of resources theme scores 2005 and 2006**

There has been a general improvement in scores for all the themes (financial reporting, financial management, financial standing, internal control and value for money) compared to 2005.



**Source:** Audit Commission

- 5 Use of resources assessments conducted in 2008 will be the fourth and the last that will form part of *CPA – The Harder Test* for single tier and county councils. The Local Government White Paper *Strong and Prosperous Communities* has set out a new performance framework for local services, to be called Comprehensive Area Assessment (CAA). The White Paper identifies use of resources assessments as an important element of the new framework and specifies some additional expectations of what use of resources will cover.
- 6 Specifically, the White Paper requires use of resources to assess organisational effectiveness and how well bodies use resources to support priorities and service improvements. Included with this is a proposal to extend the assessment to include consideration of councils’ commissioning and procurement capabilities, linked to third sector compact on funding principles. Other aspects of the White Paper emphasise the

strong focus on partnership working, citizen engagement and sustainability, and signal a greater importance for asset management and data quality.

- 7 The Commission recently published its consultation paper *The Transition from CPA to CAA* which outlined in principle how it might manage a smooth transition to the new performance framework for use of resources. This document builds on that paper and sets out our detailed proposals for the use of resources key lines of enquiry. It asks for comments on these and other suggestions for improvement.
- 8 The 2008 assessment will be based on the 2007/08 financial year and the judgements will be reported to you at the end of 2008. We will publish the final key lines of enquiry in July 2007, providing councils with time to prepare for the assessment which will be undertaken between April and October 2008.

## Responding to the consultation

- 9 Consultation on the 2008 use of resources assessment is open until Thursday 7 June 2007. Please submit your comments using the online response form available from [www.audit-commission.gov.uk/uor](http://www.audit-commission.gov.uk/uor). All other responses to this consultation should be clearly headed 'UoR consultation' and emailed to [uor2008@audit-commission.gov.uk](mailto:uor2008@audit-commission.gov.uk) or sent to Local Government Directorate, Audit Commission, 1st Floor Millbank Tower, Millbank, London SW1P 4HQ. We regret that we will be unable to take account of late responses.
- 10 Any queries about this consultation should be emailed to [uor2008@audit-commission.gov.uk](mailto:uor2008@audit-commission.gov.uk). Telephone 0845 052 2616. Fax 0845 052 2602.

# 2

## Main changes being proposed

### Summary

- 11 Our proposals for updating the 2008 key lines of enquiry are based on the following principles:
  - To take steps to help smooth the transition from CPA to CAA and reduce the degree of change needed in 2009, by giving emphasis in 2008 to expected features of the new performance framework.
  - To continue with our policy of gradually raising standards, but only at levels above minimum requirements. In doing this we will be reflecting the significant improvements in performance achieved by councils for 2006.
  - To focus the key lines of enquiry more on outcomes, with less emphasis on processes.
  - To keep any other changes to a minimum until CAA is fully introduced. In particular there should be no change to the structure of 5 themes and 11 key lines of enquiry making up the assessment and only limited change to the criteria for meeting minimum requirements.
- 12 In addressing the first of these principles, assisting the transition towards CAA, we have strengthened the proposed key lines of enquiry to reflect those areas signalled in the White Paper and other major policies. Areas strengthened include partnership working and joint procurement; citizen engagement; and sustainability. We also signal the increased importance for data quality and asset management in achieving improved services and efficiencies. Each of these issues already features in the use of resources key lines of enquiry, so strengthening the criteria does not introduce wholly new elements. The criteria may represent higher levels of performance, but this will assist in smoothing the transition to the new performance framework, avoiding a more marked increase in standards in 2009.
- 13 Given the evident improvements in performance achieved by councils, we propose to continue the process of gradually raising the bar; particularly at those levels (3 and 4) that exceed minimum requirements. We have moved some criteria to a lower level – for example, criteria that would previously have counted towards a 4 are now at level 3. This has been done where, for example, performance previously rated at level 4 no longer reflects top level performance.



- 14 For the financial reporting; financial management; financial standing; and internal control themes, we have been following a policy of gradually phasing in all the criteria in the key lines of enquiry as mandatory for the relevant level. For the 2007 assessment all criteria at level 2 became mandatory. Some criteria at level 3 were included to indicate that they would be required in future, but not as firm requirements in 2007. The assessment for 2008 will be the last before CAA is introduced. We therefore propose making all criteria at level 3 mandatory. (Note: this does not apply to the value for money theme which has always been treated slightly differently.)
- 15 In response to feedback from councils, we have removed some of the more process-based criteria and revised the wording of others to make them more focused on the expected outcomes. There are a small number of changes proposed to reflect new professional standards or legislative requirements.

## Detailed changes

- 16 The detailed changes proposed to the 2007 key lines of enquiry are shown in the document *Key Lines of Enquiry for Use of Resources – 2008 Assessments (For Consultation)*. This document is available from our website at [www.audit-commission.gov.uk/uor](http://www.audit-commission.gov.uk/uor).
- 17 We have indicated where we are proposing to revise the wording of criteria by showing any new wording in italics followed by '(revised)'. Similarly, new criteria are shown in italics and annotated '(new)'. Where criteria or wording within criteria have been deleted, we have put a strike through the affected text. If a criterion has been moved from a different level of performance we have shown this as '(moved from level 4)' for example. Criteria that are now mandatory requirements are annotated '(now bold)'.  
  
**18 Table 1, overleaf**, summarises the main changes proposed to the key lines of enquiry.

**Table 1**  
**Proposed changes to the key lines of enquiry**

The key changes to the assessment are summarised below.

KLOE	Level	Summary of change
<b>Financial reporting theme</b>		
1.2	2, 3	Published information is available to the public in a timely way and in accessible formats.
1.2	4	The annual report or similar document includes information and analysis about a council's environmental footprint.
<b>Financial management theme</b>		
2.1	2	Financial strategies and budget decisions are assessed for their impact on diverse communities.
2.1	4	A joint medium-term financial plan is produced with major partners.
2.3	3	Strategic asset management is enhanced and challenges whether all assets are fit for purpose, provide value for money and deliver corporate priorities.
2.3	4	Asset management is used as a driver and enabler of change and the management of assets is integrated with other local public agencies to identify opportunities for shared use of property and to deliver cross-sector, cross-agency and community-based services to users.
<b>Financial standing theme</b>		
3.1	3	Challenging targets for actively managing income collection and arrears recovery.

KLOE	Level	Summary of change
<b>Internal control theme</b>		
4.1	3	Reports in support of strategic policy decisions and to initiate major projects include a sustainability impact appraisal.
4.2	3	Effective scrutiny and partnership governance arrangements.
4.2	4	Confirmation of the viability of significant contractors' / partners' business continuity plans.
4.3	2, 3	Preparation for the role of the standards committee in local investigations and determination.
4.3	3, 4	Enhanced standards for whistle blowing arrangements, demonstrating employees of contracting organisations are aware of the arrangements and all staff have confidence in them.
4.3	4	All application forms for services and benefits have a fair processing notification permitting data sharing for prevention and detection of fraud and corruption.
<b>Value for money theme</b>		
5.2	2, 3, 4	Reliable to exemplary data quality arrangements including (at level 4) agreed approach with partners.
5.2	2, 3, 4	Collecting information on community needs, assessing the impact of decisions on groups to improve access to services, outcomes and value for money for all.
5.2	2, 3, 4	Tracking improvements in value for money over recent years.
5.2	2, 3, 4	More emphasis on stronger, longer-term, full cost evaluation, including (at levels 3 and 4) environmental and social impact.
5.2	2, 3, 4	Improving value for money through partnership working.
5.2	2, 3, 4	Use of ICT to improve services, value for money and access to services.

# 3

## Consultation questions

- 19 Please answer the following questions; firstly the general questions and then those that relate to each theme.

### General questions

**Q1** Overall, do you broadly agree with the proposed changes set out in this document? Yes/no. If not, please say why not.

**Q2** Do you broadly agree with our approach to giving more emphasis in the key lines of enquiry to aspects of the White Paper (see paragraph 11)? Yes/no. If not, please say why not.

**Q3** Do you agree with our approach to continue the process of gradually raising the bar; particularly at levels 3 and 4 which exceed minimum requirements to help ease the transition? Yes/no. If not, please say why not.

**Q4** Do you agree with our approach to focus the key lines of enquiry more on outcomes, with less emphasis on processes? Yes/no. If not, please say why not.

**Q5** Do you agree with our proposals to minimise changes to the overall framework for 2008 by retaining the five themes and limiting change at level 2 (meeting minimum requirements)? Yes/no. If not, please say why not.

**Q6** Do you have any other comments you wish to make about any aspect of the assessment and any suggestions for improving its ability to support the achievement of continuous improvement in councils' use of resources?

### Questions on the key lines of enquiry and specific proposed changes

#### Financial reporting

**Q7a** Are changes to the criteria for judgement for this theme appropriate? If not, why not?

**Q7b** What alternatives would you suggest?

**Q7c** Are there any new criteria which you think should not be included as 'must have' this year?

## Financial management

**Q8a** Are changes to the criteria for judgement for this theme appropriate? If not, why not?

**Q8b** What alternatives would you suggest?

**Q8c** Are there any new criteria which you think should not be included as 'must have' this year?

## Financial standing

**Q9a** Are changes to the criteria for judgement for this theme appropriate? If not, why not?

**Q9b** What alternatives would you suggest?

**Q9c** Are there any new criteria which you think should not be included as 'must have' this year?

## Internal control

**Q10a** Are changes to the criteria for judgement for this theme appropriate? If not, why not?

**Q10b** What alternatives would you suggest?

**Q10c** Are there any new criteria which you think should not be included as 'must have' this year?

## Value for money

**Q11a** Are changes to the criteria for judgement for this theme appropriate? If not, why not?

**Q11b** What alternatives would you suggest?

**Q11c** Are there any new criteria which you think should not be included as 'must have' this year?

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