

Audit and Corporate Governance Committee Report

Report of Head of HR, IT and Customer Services

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To: Audit and Corporate Governance Committee

DATE: 25 March 2009

AGENDA ITEM NO 4

Use of Resources and Comprehensive Area Assessment

PURPOSE

1. The purpose of this report is to:
 - provide the committee with an opportunity to comment on the Audit Commission's draft Use of Resources 2007/08 report and judgement
 - provide an update on the replacement by central government of Comprehensive Performance Assessment (CPA) by a new Comprehensive Area Assessment (CAA) framework which will apply to all councils from 1 April 2009
 - describe the preparation the council is doing for CAA.

USE OF RESOURCES ASSESSMENT

2. In its draft 2007/08 Use of Resources report (see accompanying paper), the Audit Commission has provisionally awarded the council an overall score of 1 (below minimum requirements). In summary, the weaknesses which contributed to the low score were:
 - the timely preparation and production of the annual accounts
 - budget arrangements
 - out of date capital strategy and asset management plan
 - risk management arrangements

- lack of system reconciliations and procedure manuals for the changed finance system
- a general tightening of the Use of Resources criteria in 2007/08, making it a harder test.

3. We believe there are several general contributory reasons behind the score:

- the Audit Commission scoring system for Use of Resources does not award a higher score for each element unless all relevant criteria are met. Although the council accepts the areas of weakness, this scoring regime effectively penalised the council and ranks it alongside councils that are meeting only a few of the criteria
- weaknesses linked to the publication of the accounts six weeks late were in part brought about by delays associated with the introduction of an innovative new financial management system. Despite the delay, the Audit Commission has confirmed that there were no issues with the accuracy of the accounts
- previously the council has adopted a reactive approach with no resource dedicated to Use of Resources. From January 2009, part of the new corporate risk officer role has been focused on Use of Resources so that the council can be more proactive in addressing areas for improvement.

4. In response to the above areas for improvement, management team has commissioned work to ascertain the reasons for the low score and thus identify actions where the council needs to improve. Because some aspects of CAA are similar to Use of Resources, this work is being undertaken in conjunction with the CAA self assessment, as detailed later within this report.

5. Audit Commission best practice is to present the draft Use of Resources report to the Audit and Corporate Governance Committee for their comment.

NEW CAA FRAMEWORK

6. Comprehensive Area Assessment (CAA) represents a fundamental change in the Audit Commission's approach to inspection. It will provide an independent assessment of how well people are being served by their local public services. It focuses on how well these services, working together, are achieving outcomes and improvement, and progressing towards long term goals. There will no longer be a separate Use of Resources assessment.

7. CAA will have two main elements:

- the **area assessment** will look at how well local public services are delivering better results for local people across the whole area, focusing on agreed priorities such as health, economic prospects and community safety, and how likely they are to improve in the future. It will take into account how well local partners understand their local communities and reflect this in their priorities. The area assessment will not be scored.
- the **organisational assessment** will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of council service performance. It will be scored in one of four categories:

- 1 – “Performs poorly – does not meet minimum requirements”
- 2 – “Performs adequately – meets only the minimum requirements”
- 3 – “Performs well – exceeds minimum requirements
- 4 – “Performs excellently - significantly exceeds minimum requirements”

8. Taking into account the effort involved in achieving the higher scores, management team has set a target to achieve a score of 3.

TIMING

9. The Audit Commission published guidance on 10 February 2009.

10. CAA takes effect on 1 April 2009.

11. The Audit Commission will gather evidence to inform its assessment from April to June.

12. CAA reports and scores for all councils will be published in November 2009.

ORGANISATIONAL SELF ASSESSMENT

13. The Audit Commission will judge the council on four themes within the organisational assessment, three of which relate to use of resources (which is broadly similar to previous use of resources assessments) and a new one on managing performance. Each theme is broken down into specific themes and key line of enquiry, as summarised in annex 1.

14. The guidance document that supports the self assessment process specifies two levels of performance, ‘getting the basics right’ (which would achieve a score of 2) and ‘performs well’ (scoring 3).

15. Management team agreed to the undertaking of a self assessment so that areas for improvement could be identified.

16. The corporate risk officer has facilitated the self assessment. The exercise involved liaising with other council officers who assessed their own service area against the relevant key line of enquiry so that areas requiring improvement could be identified. In cases where improvements are required the responsible officer has suggested the remedial actions.

17. As CAA guidance has only recently been published, officers are still working on the self assessment action plan. Management team will review the action plans to decide which actions make business sense, which actions take priority and require immediate attention and also consider the resource implications of implementing the actions.

18. In parallel to this work, officers are also compiling a set of evidence to present to the Audit Commission to support the self assessment of areas where we think the council is likely to perform well against the CAA key lines of enquiry.

AREA SELF ASSESSMENT

19. The council will also be undertaking an area self assessment – a much wider piece of work which will look at how we are working with our partners to deliver better outcomes for residents. The area assessment considers the following key questions:

- 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?

CONCLUSION

20. Audit and Corporate Governance Committee is recommended to:

- make any recommendations to the Audit Commission about the content of the draft Use of Resources report 2007/08 and overall score
- note the arrangements described in this report relating to the new CAA framework

ACCOMPANYING PAPER

- Audit Commission draft Use of Resources report 2007/08

ANNEX 1 – CAA THEMES AND KEY LINES OF ENQUIRY - ORGANISATIONAL ASSESSMENT

	Theme	Key lines of enquiry
Use of resources	1 Managing finances How effectively does the organisation manage its finances to deliver value for money?	Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health? Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities? Is the organisations' financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?
	2 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?	Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money? Does the organisation produce relevant and reliable data and information to support decision making and manage performance? Does the organisation promote and demonstrate the principles and values of good governance? Does the organisation manage its risks and maintain a sound system of internal control?
	3 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?	Is the organisation making effective use of natural resources? Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs? Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?
Managing performance	4 Managing performance * How well does the organisation manage and improve its services and contribute to wider community outcomes?	How well is the organisation delivering its priority services, outcomes and improvements that are important to local people? Does the organisation have the leadership, capacity and capability it needs to deliver future improvements?

* Detailed guidance on theme 4 has not yet been published.