
REPORT TO:	FINANCE & MANAGEMENT COMMITTEE	AGENDA ITEM: 15
DATE OF MEETING:	17 th FEBRUARY, 2009	CATEGORY: DELEGATED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	JAYNE JONES (Ext. 5800)	DOC: s:\cent_serv\cherrill & sharon\jayne jones\use of resources report 17 feb 2009 - jjones.doc
SUBJECT:	USE OF RESOURCES 2008 AND 2009	REF: PJJ/JN/SH
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM08

1.0 Recommendations

- 1.1 That the Audit Commission's Provisional Use of Resources Judgement for the Council for 2008 is noted.
- 1.2 That the significant changes to the new Use of Resources Assessment from 2009 are noted.
- 1.3 The Action Plan attached at Appendix B is agreed.

2.0 Purpose of Report

- 2.1 To inform the Committee of the Audit Commission's provisional Use of Resources (UOR) assessment for the Council in 2008 in that the Council has been assessed as a level 3, "**consistently above minimum requirements – performing well**" in every category in every theme.
- 2.2 To inform the Committee of the new Use of Resources Assessment from 2008/9 onwards that has significantly increased the levels of performance required.
- 2.3 To agree the action plan in Appendix B in order to meet the new requirements for the Use of Resources Assessment in 2009.

3.0 Detail

Background

- 3.1 The Use of Resources (UoR) has, since 2005 become an annual assessment undertaken by the Council's External Auditor. It has been used to evaluate how well the Council manages and uses its financial resources, and how well it plans and manages its business.
- 3.2 It has been used by the Audit Commission as one of the indicators that judges the degree of improvements being made at the Council, and has been a significant part of the national Comprehensive Performance Assessment (CPA) framework.
- 3.3 The assessment focused 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. The assessment covered 5 themes.
- 3.4 The first 3 themes covered financial reporting, financial management and financial standing; a further 2 themes covered the wider aspects of internal control and to what extent and how authorities manage value for money.
- 3.5 Scoring has been based on the following scale.
- 1 = Below minimum requirements – inadequate performance
 - 2 = Only at minimum requirements – adequate performance
 - 3 = Consistently above minimum requirements – performing well
 - 4 = Well above minimum requirements – performing strongly
- 3.6 2008 is the 4th (year) assessment undertaken, and the final one under the original CPA framework. In 2005, the Council scored an overall 2, moved to an overall 3 in 2006 and improved on this further in 2007 by scoring a 3 in every category in every theme.
- 3.7 In the 2008 assessment, the test became even harder. The results of the provisional assessment are that the Council maintains a level 3 in all categories. The External Auditor commented '*whilst the scores were unchanged from 2007, this is in part a reflection of the 'higher bar' within the 2008 criteria that is masking the progress made by the Council during the year*'.
- 3.8 In particular the Council moved forward in the following areas:
- Greater accountability through the first Annual Report.
 - Level 2 of the National Equality Standard for Local Government.
 - Greater integration of asset management into business planning.
 - Rationalising asset holdings.
 - Stretching performance of debt recovery with a new Debt Recovery Section.
 - The work of the Standards Committee.
 - Improved Data Quality.
 - Being clearer on what outcomes are delivered to the local community with an outcome focussed Corporate Plan 2008/11.

3.9 The scores for 2007 and 2008, with a comparison to 2005 and 2006 are shown in the following table :-

Scores for Each Theme

Key Lines of Enquiry (KLOE)	2007 & 2008 Score	2006 Score	2005 Score
Theme 1 – Financial Reporting			
• The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers	3	1	2
• The Council promotes external accountability	3	3	2
Overall Score – Financial Reporting	3	2	2
Theme 2 – Financial Management			
• The Council's medium-term financial strategy, budgets and capital programmes are soundly based and designed to deliver its strategic priorities	3	3	3
• The Council manages performance against budgets	3	3	3
• The Council manages its asset base	3	3	1
Overall Score – Financial Management	3	3	2
Theme 3 – Financial Standing			
• The Council manages its spending within the available resources	3	3	2
Overall Score – Financial Management	3	3	2
Theme 4 – Internal Control			
• The Council manages its significant business risks	3	3	2
• The Council has arrangements in place to maintain a sound system of internal control	3	3	3
• The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business	3	3	2
Overall Score – Internal Control	3	3	2
Theme 5 – Value for Money			
• The Council currently achieves good value for money	3	2	2
• The Council manages and improves value for money	3	3	2
Overall Score – Value for Money	3	2	2
Overall Score for SDDC	3	3	2

3.10 The Council has been assessed as “**consistently above minimum requirements – performing well**” in every category in every theme.

Comparison to Other District Councils

- 3.11 In 2007 our results compared positively to other Councils and of the 36 Districts within the East Midlands Region, only 8 other authorities were performing as well as, or better than, South Derbyshire.
- 3.12 At a national level, of 238 Districts, 13 authorities (5%) are performing at Level 4 overall with 56 others performing as well as South Derbyshire.
- 3.13 Unfortunately as the overall results have been embargoed by the Audit Commission until 5th March 2009, comparisons with other Local Authorities on this years scores are not yet available. However, it is expected that our position remains in the top quartile for all districts.

4.0 The new Use of Resources Assessment from 2009

- 4.1 The challenge for 2009, are the new requirements for Use of Resources which now form part of this Council's element of the Comprehensive Area Assessment (CAA).
- 4.2 The Audit Commission has redesigned its approach to Use of Resources to put Value for Money at the heart of the assessment and to emphasise the importance of organisations achieving value for money (VFM) outcomes for local people. There will be a single annual judgement on VFM in the use of resources which will be scored and published in respect of each organisation. It will be an Audit commission judgement following a consistency review of the professional and rounded judgements reached by our external auditors, Grant Thornton.
- 4.3 There will be 3 scored themes, rather than the previous 5.
- ✓ Managing finances
 - ✓ Governing the business, and
 - ✓ Managing resources

A summary of the Key Lines of Enquiry (KLOE's) that we will be required to evidence to support the new assessment are as follows:

Managing Finances

- ✓ The Council plans its finances effectively to deliver its strategic priorities and secure sound financial health.
- ✓ The Council has a sound understanding of its costs and performance and achieves efficiencies in its activities.
- ✓ The council's financial reporting is timely, reliable and meets the needs of internal users, stakeholders and local people.

Governing the Business

- ✓ The Council commissions and procures quality services and supplies, tailored to local needs, to deliver sustainable outcomes and VFM.
- ✓ The Council produces relevant and reliable data and information to support decision making and manage performance.

- ✓ The Council promotes and demonstrates the principles and values of good governance.
- ✓ The Council manages its risks and maintains a sound system of internal control.

Managing Resources

- ✓ The Council is making effective use of natural resources (not required in 2008/9).
- ✓ The Council manages its assets effectively to help deliver its strategic priorities and service needs.
- ✓ The Council plans, organises and develops its workforce effectively to support the achievement of its strategic priorities (not required in 2008/9).

Levels of Performance

4.4 Grant Thornton will reach their judgement by scoring each of the KLOE's contained within the 3 themes. Scores will be on a 1 to 4 scale.

- ✓ Level 1 is represented by a 'failure to meet the minimum requirements at level 2.
- ✓ Level 2 is 'only at minimum requirements-adequate performance'.
- ✓ Level 3 is 'consistently above minimum requirements-performing well'.
- ✓ Level 4 is 'well above minimum requirements-performing strongly'.

A summarised description of what performance is expected at levels 2 and 3 is provided below. Level 4 is not defined as the Audit Commission expects individual Councils to demonstrate real innovation and excellence in performance.

LEVEL 2	LEVEL 3	LEVEL 4
Only at minimum requirements - adequate performance.	Consistently above minimum requirements - performing well.	Well above minimum requirements - performing strongly.
Arrangements that are consistent with established professional practice and guidance and meet statutory requirements.	Implemented arrangements that: <ul style="list-style-type: none"> - Are more forward thinking and proactive in identifying and developing improvements and opportunities and addressing challenge; - Are more complex to operate for example through partnerships; and - Include more sophisticated measuring and assessment techniques. 	Demonstrating innovation and best practice.

LEVEL 2	LEVEL 3	LEVEL 4
Arrangements that are sufficient to address the KLOE – for example, demonstrating leadership and commitment, a risk based strategy and supporting action plans, capacity and skills.	Outputs/outcomes demonstrate arrangements are effective including achievement of value for money.	Demonstrating strong outcomes for the community.
Effective arrangements which achieve minimum levels of performance.	Evidence of performing consistently above adequate performance and achieving value for money.	Achievement excellent value for money.

Further details outlining the evidence required for level 2 and 3 are attached at **Appendix A**.

Comprehensive Area Assessment (CAA)

- 4.5 The Use of Resources judgement from 2009 will form part of the new Comprehensive Area Assessment.
- 4.6 CAA is a new approach that will provide the first independent assessment of the prospects for local areas and the quality of life for people living there. It will assess and report how well public money is spent and will ensure all local public bodies are accountable for their quality and impact.
- 4.7 CAA looks at how well local services are working together to improve the quality of life for local people and will combine various inspections to give a County wide joint assessment of outcomes and sustainable improvements for local people.
- 4.8 We are still awaiting the final guidance on CAA , however, we do know that it will be based on 2 assessments.
 - ✓ Organisational Assessment. This looks to this Council and will include the Use of Resources judgement and a Managing Performance judgement covering how well we are delivering our services. The latter replaces the former Direction of Travel Assessment.
 - ✓ Local Area Assessment. This is based on the Derbyshire Local Area Agreement (35 agreed targets for Derbyshire) and the Sustainable Community Strategy.

Overall score

- 4.9 The overall score for the Council will be 1 to 4 however; the final details of the approach to scoring and overall score have not as yet been confirmed.

4.10 The new Use of Resources judgement will be reported in September 2009 and this judgement will feed into the Organisational assessment part of the Comprehensive Area Assessment, and should be reported in late November 2009.

What's Different?

4.10 This is an entirely different approach and in particular focuses on:

- ✓ Outcomes for local people- 'so what difference have our plans had on local people?'
- ✓ A move away from a 'checklist' criteria to illustrative characteristics of performance
- ✓ Less focus on prescriptive arrangements and processes
- ✓ The rounded professional judgement of the external auditor
- ✓ A more challenging assessment for the Council and its auditors
- ✓ Scores of 4 reserved for excellence and leading edge performance
- ✓ Some guidance is available for level 2 and 3 but not for 1 and 4

What next?

4.11 Officers have considered the limited guidance that is currently available, and have had advice from our External Auditors, Grant Thornton. From this an Action Plan has been established for achieving the requirements of both the new level 2 and 3 in preparation for the 2008/9 audit. This is attached at **Appendix B**.

4.12 We will now produce an evidence base/self assessment that answers to all of the relevant KLOE's for submission to the Auditors in the early summer. This will include case studies of where we consider we have notable good practice. It is hoped that we will have sufficient evidence in place to gain a level 3 overall.

5.0 Financial Implications

5.1 None associated directly with this report.

6.0 Corporate Implications

6.1 Whilst the Use of Resources Assessment maintains a focus on financial stewardship, the changes to the framework for 2009 broaden its scope. This will demand ongoing working across Service Units to ensure that the Council achieves the best possible outcome.

7.0 Community Implications

7.1 The Use of Resources Assessment presents a harder challenge for the Council. Its increased focus on outcomes for local people will further examine how the Council is able to demonstrate how it is delivering on the key priorities for the Community. It is therefore important to understand what the Community needs and work within our limited resources and with partners as appropriate on these issues.

8.0 Background Papers

- <http://cmis.south-derbys.gov.uk/CMISWebPublic/Binary.ashx?Document=4032>

