

<b>Subject:</b>	<b>CPA/CAA Use of Resources Update and Actions</b>		
<b>Date of Meeting:</b>	<b>16 December 2008</b>		
<b>Report of:</b>	<b>Director of Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Nigel Manvell</b>	<b>Tel: 29-3104</b>
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<b>Wards Affected:</b>	<b>All</b>		

### FOR GENERAL RELEASE

#### 1 SUMMARY AND POLICY CONTEXT

- 1.1 The report provides the Audit Committee with information concerning the arrangements for external assessment of the council's use of resources together with details of planned actions to continue to improve the use of resources.

#### 2 RECOMMENDATIONS:

- 2.1 That the Audit Committee note the actions undertaken during 2007/08 and 2008/09 to improve the use of resources.

#### 3 USE OF RESOURCES ASSESSMENT 2008 (for 2007/08 Financial Year)

- 3.1 The assessment of each council's use of resources is currently part of the Comprehensive Performance Assessment (CPA) framework developed by the Audit Commission. The Use of Resources assessment uses "key lines of enquiry" (KLOE) to test how effective councils' arrangements, policies and practices are for ensuring that resources are used effectively, are properly safeguarded and managed, and support their priorities. There are currently 11 headline KLOE spread across 5 components as follows:

- i) **Financial Reporting** – this component assesses how good the council's financial accounting and reporting arrangements are and how well it promotes external accountability.
- ii) **Financial Management** – this component assesses how well the council plans and manages its finances in-year and in the medium term (3 to 5 years). It looks at financial performance monitoring and how well the council manages its assets.

- iii) **Financial Standing** – this component reviews the council’s financial position and health including whether it manages within budget and whether it has appropriate balances, contingencies and reserves. This component also tests to see whether the council monitors income targets closely and sets challenging targets for income collection performance.
- iv) **Internal Control** – this component examines whether the council manages its business risks and opportunities effectively and assesses its systems of internal control to ensure probity.
- v) **Value for Money** – this is a critical component that carries greater weight and will become central to the new assessment arrangements from 2009. Value for Money assesses how well a council uses resources to deliver services and outcomes in support of its priorities. The assessment compares (benchmarks) the council’s performance with comparable authorities as well as assessing how “embedded” the approach to managing value for money is throughout the council.

3.2 The use of resources assessment framework for 2007/08 is more demanding than previous use of resources assessments. The status of some key lines of enquiry has been elevated and the assessment has been extended into other areas such as sustainability and the use of physical and natural resources.

3.3 The use of resources assessment uses a four point scale from 1 to 4, with 4 being the highest. Brighton & Hove City Council’s Use of Resources ratings for each component, headline KLOE’s (that make up each component) and overall rating for the 2007 assessment (2006/07 financial year) are as follows:

<b>Component</b>	<b>Score</b> (out of 4)	<b>Headline Key Lines of Enquiry (KLOE)</b>	<b>Score</b> (out of 4)
Financial Reporting	2	{ 1.1 (Quality of accounts) { 1.2 (Accessibility of accounts)	1 3
Financial Management	3	{ 2.1 (Quality of financial planning) { 2.2 (Financial Performance arrangements) { 2.3 (Management of assets)	3 3 3
Financial Standing	2	{ 3.1 (Financial position and income management)	2
Internal Control	3	{ 4.1 (Management of risks) { 4.2 (System of internal control) { 4.3 (Probity and ethical conduct)	3 3 3
Value for Money	2	{ 5.1 (Value for money achievement) { 5.2 (Management of value for money)	2 3
<b>Overall</b>	<b>2</b>		

3.4 The outcome of the assessment for 2008 (2007/08 financial year) is due to be issued to councils on 8 December 2008 but will be embargoed until 14 December. Councils will have until 19 December 2008 to lodge any appeal against the assessment. The full results of all councils will be published in

February 2009 and the Annual Audit & Inspection Letter is also expected to be received in March 2009.

- 3.5 The Audit Commission produces a report for council's highlighting the outcome of the assessment process and indicating areas of strength and areas for improvement. A summary of the findings is also included in the auditor's Annual Audit and Inspection Letter (AAIL) reported each year.

#### **4 APPROACH TO EFFICIENCY AND VALUE FOR MONEY**

- 4.1 As mentioned above, value for money is a key component of the current CPA use of resources assessment and carries more weight than other components. The assessment considers not only how well the council compares with other authorities but also how well embedded the culture, management and processes supporting value for money are across the council.

- 4.2 The Audit Commission's website highlights the key principles that underpin the Audit Commission's approach to VFM, which are as follows:

- to judge VFM from a community-wide perspective as well as for individual service users;
- to consider sustainability of outcomes when assessing effectiveness;
- where possible, to look at gross costs, as net costs can mask high spending if income is also high (balancing VFM for the whole community with charging levels that do not represent a barrier to people using the service);
- local context and quality of service need to be taken into account in arriving at VFM judgements;
- numerical data on costs and performance provide a starting point for questions, not answers;
- VFM judgements need to allow for local policy choices (within a national policy context) about priorities and standards of service;
- to assess current performance in achieving VFM and how well VFM is managed, the capacity to improve over time, and the extent to which a long term approach is taken;
- to rely primarily on evidence of outcomes achieved and the effectiveness of activity to improve VFM.
- Inevitably some elements, such as quality and sustainability, are more subjective and more difficult to measure than other elements. 'Value' can often take many years to materialise, for example in long-term contracts. What is VFM at one point in time may not be a year later. It is therefore important when considering the VFM equation to evaluate the optimum balance over the whole life of the service taking into consideration "whole life" costs and benefits.
- VFM is also specific to different contexts and a key component in assessing effectiveness is relevance to and impact on local priorities. What is VFM for one organisation, or locality, may not be the same for another. A strong element of good, informed judgement is therefore

required when considering whether VFM has been satisfactorily achieved or not, and how it might be improved.

- 4.3 In the context of the assessment, the council recognises that some of its services are relatively high spending compared with other authorities but this does not necessarily mean poor value for money as many of these services are considered high priority and are judged to be of good quality as evidenced by CPA and other Inspection results. However, some areas, such as central support service costs are amongst the lowest spending per head in the country. The overall spending profile of the authority is based in part on historical and current demographic factors together with previous and current political priorities and spending decisions.
- 4.4 The authority also achieves significant savings year-on-year and has consistently overachieved Gershon efficiency targets, for example, achieving savings of £6.3m in 2007/08 (£5.6m cashable) compared to a target of £5.6m (£2.8m cashable). Total savings of £11.0m were identified in 2007/08 and £9.1m in 2008/09 from a mixture of efficiencies, income generation and management and administration savings. These are very important and enable the authority, which receives the minimum government grant increase, to continue investing in priority areas.
- 4.5 The council has long recognised the importance of systematically reviewing its services in order to support not only the delivery of efficiency savings but also to ensure that good performance and best practice are achieved wherever possible. Many Best Value reviews and other key service reviews have been undertaken and have delivered improved outcomes and/or efficiency over the years. However, a more robust framework has now been developed and a council-wide programme of value for money reviews has been implemented using a commonly applied methodology. The current value for money programme of reviews started in July 2007 with Adult Social Care and is now nearing completion, with the Environment directorate the last to be reviewed.
- 4.6 The reviews have taken into account a range of complex factors that help directorates prioritise their improvement projects. Factors include:
- Council priorities
  - Service performance
  - Spending and unit cost comparisons
  - Cost versus benefit evaluations
  - Potential to improve or achieve efficiencies and at what level of investment i.e. is there a “quick win” or is wholesale service transformation needed
  - Stakeholder views

The output of each review was either an implementation plan, improvement project plan or business case depending on whether there were “quick wins” or a case to invest in transformation on a larger scale.

- 4.7 Each value for money improvement programme includes projects that will take between 6 months and 2 years to undertake and implement depending on their complexity and the level of service transformation recommended. These

projects are clearly be an important element of helping the council to deliver efficiency savings while improving services i.e. achieving value for money. As the outcome of reviews is known and the financial savings and investments are quantified, these will be built into the council's Medium Term Financial Strategy and annual budget strategy.

- 4.8 A separate fund, the "Transformation Fund", has been created to further support delivery of VFM projects. This fund, amounting to £150,000 recurrently with a further £100,000 added for 2008/09 has been allocated to directorates following submission of business cases. Funds are generally used to create additional capacity or bring in necessary expertise to support VFM implementation.
- 4.9 Achieving value for money is the responsibility of all directorates, however, there is a Value for Money Steering Group, chaired by the Director of Finance & Resources, that oversees the operation and management of value for money processes. The steering group is currently considering options for a phase 2 value for money programme that is likely to focus on a smaller number of council-wide initiatives together with addressing high costs in specific service areas.

## **5 USE OF RESOURCES ACTION PLAN 2008/09**

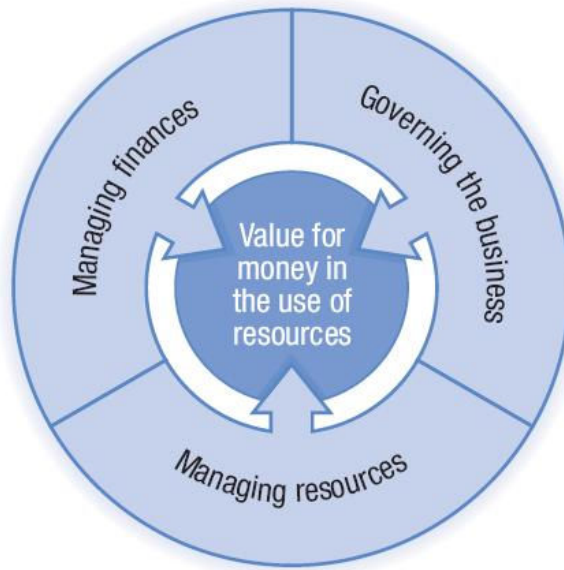
- 5.1 Appendix 1 details the actions taken during 2007/08 and actions planned or undertaken during 2008/09 to improve the council's arrangements for making the best use of its resources. The actions were identified in response to:
- i) Recommendations made by the external auditor in the Annual Audit & Inspection Letter (and Use of Resources report).
  - ii) Recommendations made, or any weaknesses highlighted, by the external auditor in the Annual Governance Report and Final Accounts Report (for Financial Reporting).
  - iii) Recommendations arising from internal audits conducted in accordance with the Internal Audit Plan.
  - iv) Internal reviews of performance and governance.
- 5.2 The actions identified concentrate on areas requiring further improvement or where the impact will be of most significance. Although these actions cannot guarantee improved CAA or Use of Resources assessment scores, they are designed to move the authority in the right direction. Note that actions are listed under CPA components rather than CAA themes. This is because the CAA themes were still under consultation when the original action plan was drawn up, however, the KLOE and themes under CAA remain substantially the same.

## **6 USE OF RESOURCES ASSESSMENT 2009 (for 2008/09 Financial Year)**

- 6.1 From 2009 a new assessment framework, the Comprehensive Area Assessment (CAA), will come into force. As with CPA, this framework will also contain a separate use of resources assessment which will form part of the

CAA judgement and will also feed into other relevant performance assessment frameworks as appropriate.

- 6.2 The revised use of resources assessment is structured into three themes that focus on the importance of sound and strategic financial management, strategic commissioning and good governance, and the effective management of natural resources, assets and people. The three themes making up the overall judgement of value for money in the use of resources are illustrated below.



- 6.3 The revised assessment will continue to use key lines of enquiry (KLOE) which will underpin each of the 3 themes. However, the KLOE are more broadly based than previously and embrace wider resource issues such as people and workforce planning, and the use of natural resources. The KLOE focus more on value for money achievements, outputs and outcomes rather than on processes, and continue to focus at a more strategic level. The revised KLOE for each theme are set out in Appendix 2. The timetable for assessment is expected to be broadly the same as under CPA.

## 7 CONSULTATION

- 7.1 No specific consultation has been undertaken in preparing this report.

## 8 FINANCIAL & OTHER IMPLICATIONS

### Financial Implications:

The use of resources assessment is of reputational importance to the council. A rating of 2 (out of 4) assures elected members, citizens, partners and other stakeholders that the council has adequate arrangements for the management and control of resources and for securing value for money in the use of its resources. A rating of 3 or better provides assurance that the council is consistently performing well in this respect, which can provide further

opportunities for partnership working and/or attracting external interest or funding.

Finance Officer consulted: Nigel Manvell

Date: 2 December 2008

Legal Implications:

There are no direct legal implications arising from this report.

Lawyer consulted: Oliver Dixon

Date: 3 December 2008

Equalities Implications:

8.1 There are no direct equalities implications arising from this report.

Sustainability Implications:

8.2 The Use of Resources assessment increasingly focuses on sustainability, in particular, looking for evidence of good medium term financial planning, whole life costing of business cases and projects, a reducing and well-monitored environmental footprint, improving use of natural and physical resources, etc. The council therefore needs to be able to evidence commitment and improvements in respect of these areas.

Crime and Disorder Implications:

8.3 There are no direct crime and disorder implications arising this report.

Risk and Opportunity Management Implications:

8.4 Effective management of risk is part of the Council's framework for securing the economy, efficiency and effectiveness in the use of resources.

Corporate / Citywide Implications:

8.5 The Council's framework for securing the economy, efficiency and effectiveness in the use of the resources is essential to deliver corporate and citywide objectives.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

- (1) Key Actions and Priorities for Improving Use of Resources
- (2) Use of Resources Assessment 2009 – Themes and Key Lines of Enquiry

### **Documents in Members' Rooms**

None

### **Background Documents**

- (1) Audit Commission Statement of responsibilities of auditors and of audited bodies.



## Appendix 1

### Key Actions and Priorities for Improving Use of Resources

Use of Resources Component	2007/08 Actions Completed	2008/09 Planned Actions	Progress on 2008/09 Actions
<b>a) Financial reporting</b>	<ul style="list-style-type: none"> <li>Improved training and liaison with External Audit to ensure early identification and compliance with revised Statement of Recommended Practice (SORP 2008).</li> </ul>	<ul style="list-style-type: none"> <li>Additional capacity to be provided in Central Accountancy team to assist with, amongst other things, implementation of International Financial Reporting Standards.</li> </ul>	<ul style="list-style-type: none"> <li>Assistant Director Financial Services is leading a corporate project group for International Financial Reporting Standards.</li> <li>Head of Financial Services given greater overview role in closure of accounts including clear liaison role with external audit.</li> <li>New Principal Accountant post evaluated and will be advertised in January 2009.</li> </ul>
<b>b) Financial management</b>	<ul style="list-style-type: none"> <li>Post implementation review of the implementation of the new corporate Financial Information System completed.</li> <li>Financial Management Standards for managers developed and approved by TMT.</li> <li>Training and support provided</li> </ul>	<ul style="list-style-type: none"> <li>Targeted corporate training offer to be developed to support improved financial management skills.</li> <li>New intranet sites to be developed to provide accessible financial management training and guidance to managers.</li> <li>Revised Asset Management Plan</li> </ul>	<ul style="list-style-type: none"> <li>New corporate financial management training course ("Managing Budgets") now provided as part of the corporate training programme.</li> <li>Finance Intranet site is currently in testing and is due to go live in March 2009.</li> <li>New Asset Management Plan</li> </ul>

<b>Use of Resources Component</b>	<b>2007/08 Actions Completed</b>	<b>2008/09 Planned Actions</b>	<b>Progress on 2008/09 Actions</b>
<b>c) Financial Standing</b>	<p>for new Finance Sub Committee which considered areas such as value for money, treasury management and financial performance.</p>	<p>and Corporate Procurement Strategy to be approved and implemented.</p> <ul style="list-style-type: none"> <li>• Revised Corporate Plan and Medium Term Financial Strategy.</li> <li>• New Business Planning framework with stronger links to service and financial planning to be implemented in place of team planning.</li> </ul>	<p>(AMP) and Corporate Procurement Strategy (CPS) 2008-11 have been developed incorporating best practice and the requirements of “key lines of enquiry” as set out in the Use of Resources assessment. AMP/CPS was approved by Cabinet on 16 October 2008 and reviewed by Overview &amp; Scrutiny on 9 September 2008.</p> <ul style="list-style-type: none"> <li>• The new business planning framework has now been implemented. The new business plans include 3-year financial plans and workforce development plans. A new Managers Handbook has also been produced to accompany the framework.</li> </ul>
	<ul style="list-style-type: none"> <li>• Targeted Budget Management reporting framework revised to include capital and revenue in Directorate and TMT reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Further debt management improvements to be identified and implemented by an Income Project Officer (funded via the</li> </ul>	<ul style="list-style-type: none"> <li>• Appointment of a corporate Income Project Office has been delayed due to staffing changes in the Corporate Debtors Teams</li> </ul>

Use of Resources Component	2007/08 Actions Completed	2008/09 Planned Actions	Progress on 2008/09 Actions
	<ul style="list-style-type: none"> <li>• Annual review of levels of reserves and balances undertaken as part of the budget setting process.</li> <li>• Updates to Annual Investment Strategy and Treasury Management Policy Statement.</li> <li>• Continued implementation of Debt Management Group action plan including review of write-off of debt, new quarterly reports, and implementation of best practice service benchmarks.</li> <li>• Merger of Revenues &amp; Benefits and Adult Social Care and Corporate Debtors completed.</li> </ul>	<p>Transformation Fund). Areas will include:</p> <ul style="list-style-type: none"> <li>- Corporate debt recovery training standard;</li> <li>- Improved data sharing and debtor tracing;</li> <li>- Case conferencing for multiple debts;</li> <li>- Review of best practice authorities.</li> </ul> <ul style="list-style-type: none"> <li>• Consider increased capacity in Revenues &amp; Benefits to improve Council Tax collection and Housing Benefit overpayment recovery.</li> </ul>	<p>and Revenues &amp; Benefits which have meant that there has been no capacity for secondment of officer time. However, an appointment has now been made on a part-time basis and work will start in January 2009.</p> <ul style="list-style-type: none"> <li>• Quarterly reports including aged debt profiles, collection performance, direct debit performance and write off information presented to TMT and Cabinet Member Finance meetings.</li> <li>• Integration of Central Debtors Unit with the Banking Team has been undertaken to enable improved processes and continued performance improvements on Sundry and Adult Social Care debt.</li> <li>• Increased capacity for Revenues &amp; Benefits is being considered as part of budget proposals.</li> </ul>

<b>Use of Resources Component</b>	<b>2007/08 Actions Completed</b>	<b>2008/09 Planned Actions</b>	<b>Progress on 2008/09 Actions</b>
<p><b>d) Internal Control</b></p>	<ul style="list-style-type: none"> <li>Continued implementation of the Financial Management Model in schools (FMSiS). Support and awareness training provided on the requirements and self-assessment by secondary and primary schools, external assessment and providing assurance for certification by the S151 officer. 50% of schools have now passed.</li> <li>Implemented requirements of the revised CIPFA/SOLACE Corporate Governance Framework including updating Local Code of Corporate Governance and development of a new Annual Governance Statement which replaced the Statement of Internal Control (SIC).</li> </ul>	<ul style="list-style-type: none"> <li>Further training of members in risk management to be provided.</li> <li>New Audit Committee to be set up.</li> <li>Continued support to FMSiS (Financial Management Standard in Schools) programme.</li> <li>Implement actions from the Annual Governance Statement</li> <li>Update the Anti Fraud Strategy to meet the requirements of the Government's Fraud Review.</li> </ul>	<ul style="list-style-type: none"> <li>8/10 of the Audit Committee members received risk management training prior to 30 September 2008. Members of the Cabinet also received Risk Management training on 17 September 2008.</li> <li>A fully constituted Audit Committee came into being on 9 May 2008.</li> <li>Financial Management Standards in Schools (FMSiS) – for 2008/09 external assessments are planned for quarter 4.</li> <li>Annual Governance Statement – report to December Audit Committee and Officer's Governance Board on position of actions. AGS actions are 38% complete to date.</li> <li>Anti-fraud – an update to the Counter Fraud Strategy is planned for January 2009.</li> </ul>

<b>Use of Resources Component</b>	<b>2007/08 Actions Completed</b>	<b>2008/09 Planned Actions</b>	<b>Progress on 2008/09 Actions</b>
<p><b>e) Value for Money</b></p>	<ul style="list-style-type: none"> <li>• Development and implementation of a council-wide value for money improvement programme.</li> <li>• Expert advisers (PwC) engaged to assist the council in building internal capacity to support ongoing value for money reviews.</li> </ul>	<ul style="list-style-type: none"> <li>• Complete phase I value for money reviews and monitor progress via VFM Steering Group.</li> <li>• Develop phase II approach.</li> </ul>	<ul style="list-style-type: none"> <li>• The VFM Steering Group, chaired by the Director of Finance &amp; Resources, has met monthly to oversee phase 1 VFM programme progress. Phase 1 is now complete and all reviews and associated action plans have now been reported to TMT and/or Cabinet Member Meetings except Environment which is due to report in due course.</li> <li>• A phase II approach has been developed by the VFM Steering Group and a report with options and recommendations will be considered by The Management Team (TMT) on 10 December 2008.</li> </ul>

**COMPREHENSIVE AREA ASSESSMENT (CAA)****Use of Resources Assessment 2009 – Themes and Key Lines of Enquiry (KLOE)**

<b>Managing finances</b>
<i>How effectively does the organisation manage its finances to deliver value for money?</i>
1.1 Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?
1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?
1.3 Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?
<b>Governing the business</b>
<i>How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people?</i>
2.1 Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?
2.2 Does the organisation produce relevant and reliable data and information to support decision making and manage performance?
2.3 Does the organisation promote and demonstrate the principles and values of good governance?
2.4 Does the organisation manage its risks and maintain a sound system of internal control?
<b>Managing resources</b>
<i>How well does the organisation manage its natural resources, physical assets, and people to meet current and future needs and deliver value for money?</i>
3.1 Is the organisation making effective use of natural resources?
3.2 Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?
3.3 Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?