

## USE OF RESOURCES JUDGMENT 2007/09

### 1 SUMMARY

- 1.1 The Annual Audit and Inspection Letter, reported as a separate item to this meeting, provided a summary of the Use of Resources (UoR) Judgment for 2007/08 and the changes introduced for the 2008/09 assessment.
- 1.2 This report summarises the results of the UoR Judgment for 2007/08, carried out by the Council's external auditors, PKF, and sets out the Council's approach for the 2008/09 assessment.
- 1.3 PKF's detailed report on the UoR Judgment is attached as an appendix.

### 2 INTRODUCTION

- 2.1 The 2007/08 UoR Judgment covers the financial year 1 April 2007 to 31 March 2008 and also includes any findings from the audit of the accounts for 2007/08. The audit of the accounts was completed in September 2008 and the results reported in detail to the Audit Committee on 30 September 2008.
- 2.2 The UoR Judgment evaluates how well the Authority manages and uses its resources by scoring performance against 5 main themes:-
- Financial Reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
  - Financial management (including how the financial management is integrated with strategy to support the Council's priorities).
  - Financial Standing (including the strength of the Council's financial position).
  - Internal Control (including how effectively the Council maintains proper stewardship and control of its finances).
  - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 2.3 For each of these themes there are a number of Key Lines of Enquiry (KLOE) with descriptions of expected performance at levels 2, 3 and 4. The performance level that we can prove we match provides the score for that KLOE, as follows:-

| <b>Level</b> | <b>Performance</b>  |
|--------------|---|
| 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

2.4 The KLOEs are made up of detailed criteria, some of which are bold, which means that they have to be complied with in order to achieve that level. For this assessment additional criteria were emboldened, ie, made compulsory.

### 3 JUDGMENT 2007/08

3.1 PKF have assessed the Council at Level 3, or performing consistently above minimum requirements, with improvements in 3 out of the 5 themes. This is an improvement on the Level 2 overall assessment for 2006/07. As PKF highlight in their report, this improved assessment was against a “harder” test, where the Council would have had to improve arrangements just to maintain the previous year’s score.

3.2 The performance against each level is shown in the following chart with comparison to previous years’ scores. Highlighted cells in the 2008 column indicate changes to the previous year.

| Theme and Key Line of Enquiry                                     | 2005 | 2006 | 2007 | 2008<br>Current |
|---|------|------|------|-----------------|
| 1.1 Annual accounts   | 2    | 3    | 1    | 3               |
| 1.2 Promotion of external accountability                          | 2    | 3    | 2    | 4               |
| <b>1 Financial Reporting</b>                                      | 2    | 3    | 1    | 3               |
| 2.1 Medium term financial strategy, budgets and capital programme | 2    | 2    | 2    | 2               |
| 2.2 Managing performance against budgets                          | 1    | 2    | 2    | 2               |
| 2.3 Managing the asset base                                       | 2    | 2    | 2    | 2               |
| <b>2 Financial Management</b>                                     | 2    | 2    | 2    | 2               |
| 3.1 Managing spending within available resources                  | 2    | 2    | 2    | 3               |
| <b>3 Financial Standing</b>                                       | 2    | 2    | 2    | 3               |
| 4.1 Managing significant business risks                           | 1    | 2    | 2    | 2               |
| 4.2 Maintaining a sound system of internal control                | 1    | 2    | 2    | 3               |

| Theme and Key Line of Enquiry                                | 2005     | 2006     | 2007     | 2008<br>Current |
|--|----------|----------|----------|-----------------|
| 4.2 Arrangements to promote and secure probity and propriety | 2        | 2        | 2        | 2               |
| <b>4 Internal Control</b>                                    | 1        |          | 2        | 2               |
| 5.1 Current achievement of good value for money              | 2        | 2        | 2        | 3               |
| 5.2 Managing and improving value for money                   | 1        | 2        | 2        | 2               |
| <b>5 Value for Money</b>                                     | 2        | 2        | 2        | 3               |
| <b>Overall</b>   | <b>2</b> | <b>2</b> | <b>2</b> | <b>3</b>        |

### 3.3 Key improvements noted in the assessment include:-

- Significantly improved accounts preparation
- The new Annual Report which highlighted to the Audit Commission as an example of notable practice
- Implementation of a clear reserves and balances policy
- Increased awareness of performance and cost information
- Improvements in the approach to achieving good value for money.

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- 4.1 The new arrangements for Comprehensive Area Assessments (CAA), which will replace the Comprehensive Performance Assessments, include an Organisational Assessment. The main part of this will be the new UoR framework. The other aspect will be a Managing Performance theme which replaces the annual Direction of Travel assessment, reported as part of the Annual Audit & Inspection letter. The Managing Performance assessment is carried out at a later date by the Audit Commission's Relationship Manager, Ian Davidson, and will be mainly based on performance against the CPA Improvement Plan which is monitored by the Executive.
- 4.2 The new UoR framework now focuses more on value for money, achievements, output and outcomes rather than processes, with more strategic criteria.
- 4.3 The new themes are detailed below:-

| Theme                          | Key Lines of Enquiry  |
|--------------------------------|---|
| Managing Finances              | <p>Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?</p> <p>Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?</p> <p>Is the organisation’s financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?</p>   |
| Governing the Business         | <p>Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?</p> <p>Does the organisation produce relevant and reliable data and information to support decision making and manage performance?</p> <p>Does the organisation promote and demonstrate the principles and values of good governance?</p> <p>Does the organisation manage its risks and maintain a sound system of internal control?</p> |
| Managing Resources (workforce) | <p>Does the organisation plan organise and develop its workforce effectively to support the achievement of its strategic priorities?</p> <p><i>In future years, this Theme will cover Managing Natural Resources or Strategic Asset Management</i></p>  |

4.4 The assessment applies to the 2008/09 financial year, covering the period from 1 April 2008 to 31 March 2009 and including the outcome of the audit of the accounts.

4.5 The timetable for the 2008/09 Judgment is much tighter than in previous years. Last year the main work of the assessment was carried out in September/October with a draft Judgment provided in December 2008 and the final scores announced in February 2009. For this year the Council has to produce its self assessment and evidence during April in order for PKF to submit a draft Judgment by the end of May and we will receive the final Judgment in September. A timetable and project team have been established in order to meet the following deadlines:-

| Activity                                      | Completed by |
|---|--------------|
| Initial draft self assessment                 | 10/03/2009   |
| Identify any gaps against KLOE                | 19/03/2009   |
| Complete case studies                         | 27/03/2009   |
| Complete Self Assessment                      | 20/04/2009   |
| Workshop with PKF                             | 06/05/2009   |
| Interviews & evidence                         | 29/05/2009   |
| Submission of draft scores                    | 29/05/2009   |
| Complete Managing Performance self assessment | 30/06/2009   |

- 4.6 The approach agreed with PKF is to use the CPA Self Assessment, produced last year, as a basis for assessment and provision of evidence. The Audit Commission's intention is that in future years auditors will apply a risk based approach to focus on areas of change. This should result in high performing authorities seeing less work undertaken on use of resources.

## 5 RISK IMPLICATIONS

- 5.1 This is a completely different approach with the focus on outputs and achievements rather than processes, requiring external auditors to make a rounded professional judgment rather than using a checklist approach. This may increase the risk of inconsistent judgments. The risk of not providing adequate evidence has been managed by holding early discussions with PKF to identify their requirements and briefing senior officers on a regular basis.
- 5.2 There will be an increased workload for the Finance, Audit and Performance Management teams at one of the busiest times of year and workloads and priorities will need to be managed in order to deliver on time.
- 5.3 In the same way that each year the test has become harder with more compulsory criteria, the 2008/09 assessment will require improvements just to stand still. The Audit Commission has made clear that the new UoR framework is more demanding than previous assessments, being broader in scope and embracing wider resource issues such as people and workforce planning. The KLOEs are more strategic and focus much more explicitly than previously on value for money achievements. PKF has pointed out that the majority of Level 3 Authorities would come out at Level 2 under this new framework. Although the Council will be working hard towards maintaining our improved Level 3 score, it must be recognised that there is a risk that we will be assessed at Level 2, despite any improvements made over the last year.
- 5.4 The UoR Judgment will contribute to the Council's CAA so it is important that we provide a self assessment and evidence that support a good assessment.

## 6 RECOMMENDATION

- 6.1 It is proposed that the Committee **RESOLVES**

- (1) That the 2007/08 Use of Resources scores be noted.
- (2) That the introduction of a new Use of Resources Framework and the timetable for completing the self assessment be noted.

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**Background Papers:-**

Use of Resources 2008/09 – Overall Approach and Key Lines of Enquiry (Audit Commission)

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If you would like this report in large print, braille or another language please contact 01702 546366.

Appendix



Accountants &  
business advisers

## **Rochford District Council**

# **Use of Resources Key Lines of Enquiry 2007/08**

March 2009











