



Committee and date

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USE OF RESOURCES - 2009 OUTCOMES

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Summary

This report provides Members with details of the new criteria and outcomes of the 2009 Use of Resources assessment for Shropshire County Council which was carried out in May 2009.

The outcome of this assessment was that Shropshire scored an overall 3 out of 4 for Use of Resources.

Shropshire's 2010 Use of Resources assessment is due to commence in February 2010.

Recommendations

Members are asked to note:

- A. the content of the report and assessment outcomes.
- B. the plans for the 2010 Use of Resources Assessment.

Report

Background

1. The Use of Resources assessment (based on the annual programme of external audit work) was introduced in 2005 and formed part of an overall CPA programme.
2. For 2009, the Use of Resources assessment became a broader based, strategic assessment forming part of the new Comprehensive Area Assessment. The new Use of Resources assessment looks at people, workforce planning and use of natural resources as well as the ongoing strong focus on value for money outcomes for the local community.

3. The new assessment is structured into three themes rather than the previous five:-

Assessment Category		Key lines of enquiry
1) Managing finances <i>'Sound and strategic financial management'</i>	1.1	Planning for financial health
	1.2	Understanding costs & achieving efficiencies
	1.3	Financial reporting
2) Governing the business <i>'Strategic commissioning and good governance'</i>	2.1	Commissioning & procurement
	2.2	Use of information
	2.3	Good governance
	2.4	Risk management & internal control
3) Managing resources <i>'Effective management of natural resources, assets and people'</i>	3.1	Natural Resources
	3.2	Strategic asset management
	3.3	Workforce planning

Outcomes of the 2009 Use of Resources Assessment

4. As described above, the Audit Commission have scored Shropshire at an overall 3 out of 4 (performing well) in its use of resources during 2009. We performed particularly well in 'understanding costs and performance and achieving efficiencies' and 'procuring quality services and supplies tailored to local needs' where we score a 4 out of 4 (performing excellently). The full list of our scores was as follows:-

KLOE Criteria	Description	Scored judgement
1.1	Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	3
1.2	Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	4
1.3	Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	3
2.1	Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	4
2.2	Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	3
2.3	Does the organisation promote and demonstrate the principles and values of good governance?	3

KLOE Criteria	Description	Scored judgement
2.4	Does the organisation manage its risks and maintain a sound system of internal control?	3
3.1	Is the organisation making effective use of natural resources?	3
3.2	Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?	3
3.3	Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?	N/A

5. Members will note that KLOE 3.3. 'Workforce Planning' was not assessed in 2009. Not all key lines of enquiry in the 'Managing resources' theme (KLOE 3) will be assessed each year. The Audit Commission specifies each year in its annual work programme and fees document which key lines of enquiry will be assessed in that year. For the 2009 assessment, the two 'Managing resources' assessed were Natural resources (3.1) and Strategic asset management (3.2). Despite Workforce Planning (3.3) not being assessed, improvement work in this area has progressed well. This will stand us in good stead for the 2010 assessment which will include this area.
6. A full copy of the Audit Commission's scored judgements report is attached at Appendix A for reference. This report summarises the key judgements of how the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people.
7. Some of the areas where Shropshire has performed particularly well include :-
- a. *Managing finances* - The Council has good arrangements to plan its finances to secure sound financial health. There is a good clear process for linking financial planning with strategic service planning and the medium term financial strategy clearly identifies the amounts that are allocated to achieve each of the Council's priorities. There is a good process of consultation with local people over the development of the financial strategy. The Council's budget is well managed and is balanced annually. The Council has a very good understanding of its performance and finances and how the two relate in a range of key service areas. Extensive benchmarking is carried out of costs and performance and data is used to make decisions designed to improve services. The Council has an excellent record of achieving efficiencies. The Council works well with partners in delivering cost effective services, especially for older and vulnerable people. The Council has good procedures in place to provide good financial monitoring reports. Information is timely, and the variance reports to Cabinet are clear. The Council provides excellent statutory accounts backed by clear and fully referenced working papers.
 - b. *Governing the business* - The Council has a good record of basing its commissioning and procurement activities on thorough needs analysis. There are good examples to demonstrate how the Council has used local needs to commission services to make the most impact for local people. The Council has a strong approach to involving local people, stakeholders

and staff in commissioning and procurement decisions. Improvements have been made for customers through the use of IT and redesigning services. There is evidence of good working with local suppliers to manage and improve markets, eh services for older and vulnerable people, school meals. The Council has a good record of developing its approach to data quality in a way which has led to improved performance. It has worked well with partners to improve the collection of data. Good arrangements ensure that timely and relevant performance information is provided to decision-makers. At a more strategic level, good performance arrangements within the LSP has enabled close monitoring of the LAA/LSP targets, resulting the in the LSP being on target to receive substantial level of performance reward grant. Good arrangements exist for data security. IA monitors internet traffic with no significant findings. There is a good approach for promoting good governance. The Council has invested in training for members around governance and ethical standards. It also works well with partners to improve governance arrangements. A sound system of internal control is in place led by a strong Audit Committee and effective IA service. This has led to a strong assurance framework.

- c. *Managing resources* - The Council is generally aware of its use, and the impact it has on the local environment and its natural resources. A draft Sustainable Construction Policy is in place which is leading to the reduction of the environmental impact of the built environment. The Council also expects its contractors to make reductions in their environmental impact. The Council are using their understanding of the impact on the environment to make improvements in service provision, e.g. domiciliary and residential care for older people, etc. The Council has a good corporate approach to asset management. Comprehensive condition and performance data is collected and benchmarked. It has a planned maintenance programme and bids for capital expenditure are required to be linked to the Council's priorities. Individual service areas are required to produce Asset Management Plans. As part of the move to Unitary, the Council worked well with the demising District Councils to put in place detailed plans to make better use of the former district assets. The Council also works well with partners to make better use of assets.

Request for review

8. As indicated above, Shropshire's 2009 Use of Resources score was 3 out of 4 compared to 4 out of 4 in 2008, 2007 and 2006.
9. Officers were first made aware of Shropshire's draft 2009 Use of Resources scores at a meeting with Auditors on 16 October 2009 and immediately requested a review of the scores by an independent Review Officer. Further clarification was requested as to why scores had fallen and to help us understand what a '4 out of 4 authority' might be doing differently to Shropshire. Overall grounds for the review request were as follows:-
 - a. In 2008/09 the Council delivered savings equivalent to 11% on Council Tax with no adverse impact on frontline services, directed £7 million to growth in priority services so as to improve outcomes for local people and had a 0% Council Tax increase across the whole county area. At the same time our performance in key services was maintained or improved.

- b. The Audit Commission has advised in writing that *'there has been no drop in the quality of the systems and processes that the Council has put in place in each of the KLOE areas. In some cases, particularly those set out above, the processes have strengthened and have led to improved outcomes'*. Despite this, Shropshire has fallen from a 4 out of 4 score in 2008 to a 3 out of 4 score in 2009.
10. Unfortunately, despite a strong case, the Review Officer did not alter any of Shropshire's scores when they reported back in December 2009. Shropshire remains as 3 out of 4 (performing well).
11. However, Comprehensive Area Assessment (CAA) results were published on Wednesday 9 December (including 2009 Use of Resources scores from across the Country) and early indications at the time of writing suggest only 5 out of 387 local authorities measured (1%) were judged to have performed excellently (4 out of 4) in their use of resources in 2008/09. No Shire Counties scored an overall 4 out of 4. Shropshire is one of the few Authorities that scored 4 in any Key Line of Enquiry areas so remains firmly among the strongest performers for its use of resources.

2010 Use of Resources Assessment (based on financial year 2009/10)

12. Shropshire's 2010 Use of Resources Assessment will take place in March 2010. This is two months earlier than in 2009. The Director of Resources is currently in negotiations to finalise the date of the on site assessment which is expected to last two weeks.
13. As in previous years, the assessment will require us to complete a 'self assessment' which will need to be submitted for consideration around two weeks before the on site assessment.
14. In order to meet these earlier timescales, work is already underway with Directorate representatives to identify improvements, efficiencies and best practice that can be put forward as part of our 2010 self assessment. As in 2009, the assessment will be strongly 'outcomes' focussed and Auditors will expect to see evidence presented in a 'case study' format detailing issues identified, action taken and resultant outcomes.
15. As in previous years, we will put together an action plan for improvement that will address areas of weakness identified by the Audit Commission and to ensure that we are responding to the key lines of enquiry for 2010. Progress against this action plan will be monitored through Finance Officers Group and Resources Management Team to ensure that all Directorates have improved in these areas in advance of the 2010 assessment in February/March.
16. Specific areas to be addressed by the action plan will include the following issues raised in Appendix A:-
 - a. KLOE 1.1 - There is a clear budget reporting structure. However links with performance need to be further developed.
 - b. KLOE 1.3 - The Council has used financial forecasting to allocate investment in a number of services taken on from the districts including

affordable housing schemes, street cleansing, concessionary travel, improved customer access points. Outcomes now need to be quantified.

- c. KLOE 2.4 - Robust and effective approach to risk management is in place. The Council now needs to assess the return it is getting on its investment, especially in the service departments. The Council encourages managers to identify opportunities that come from the risk assessment process and although these are monitored, there is no consistent assessment of the impact they make on local outcomes. In addition, despite a good approach, Shropshire is not able to link its attempts to reduce fraud and corruption to improved outcomes for local people.
- d. KLOE .1 - There is not currently a clear, strategic approach developed in conjunction with local people to reduce the impact of Council activity on the environment and improve outcomes.

- 17. A report detailing progress in preparation for the 2010 Use of Resources Assessment will be presented to Members in advance of the 2010 on site assessment.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Human Rights Act Appraisal

There are no implications for Human Rights arising from the Use of Resources Assessment.

Environmental Appraisal

N/A

Risk Management Appraisal

The Audit Commission assesses corporate risk management arrangements as part of the Use of Resources assessment and we scored 3 out of 4 for internal control, of which, risk management is part.

Community / Consultations Appraisal

N/A

Cabinet Member

Keith Barrow, Leader of the Council

Local Member

All

Appendices

Appendix A – Use of Resources 2009 – Evidence Submitted in Support of Scored Judgements