



Report of the Director of Resources

Corporate Governance and Audit Committee

Date: 29th September 2008

Subject: **Comprehensive Area Assessment – Use of Resources 2009
Self Assessment**

Electoral Wards Affected:

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

1.0 Purpose of This Report

- 1.1 The Terms of Reference of the Corporate Governance and Audit Committee require the Committee to consider and review the Council's governance arrangements. Many of these arrangements are externally reviewed through the Audit Commission's Use of Resources (UoR) assessment which has been an integral part of the Government's Comprehensive Performance Assessment (CPA). Members received a report at their meeting of the 19th March 2008 which set out the background and approach proposed by the Audit Commission for assessing the UoR under the new Comprehensive Area Assessment (CAA) to be introduced from 2009 onwards.
- 1.2 The report concluded that the new regime marked a significant development from the current UoR assessment and as such represented a significant challenge to the Council. In view of this it was proposed that a self assessment be undertaken to identify where improvements would need to be made and actioned by the end of 2008/09.
- 1.3 Three themed workshops were held in June 2008 to consider the requirements as set out in the new model as follows:-
- Managing Finances
 - Governing the Business
 - Managing Resources
- 1.4 This report summarises the results of the self assessment, and provides a mechanism by which the Committee can monitor and support the Council's progress towards achieving a satisfactory outcome for the Use of Resources Assessment in 2009.

2.0 Background Information

2.1 The use of resources is just one element under the new Comprehensive Area Assessment (CAA) framework which has yet to be finalised. The Audit Commission are currently consulting on their latest proposals for CAA and within this consultation the use of resources assessment forms part of an organisational assessment carried out on all councils. This organisational assessment comprises the three use of resources themes and a fourth theme on managing performance. It is unclear at this stage how these two elements would be aggregated together and within the consultation three options are put forward:

- Overall score is a combination of both scores with the managing performance score carrying more weight;
- Overall score is a combination of both scores with the assessors making a judgement as to which carries more weight; or
- Reporting the two scores separately.

2.2 It is also difficult at this stage to put the use of resources assessment fully into context under CAA and to understand how the results of the organisational assessment will influence the overall area assessment as there are still a significant number of unknowns. However, what we do know is that use of resources will form an important part of the council's individual assessment and this is looking like the only part of the framework where an overall score will be given. Therefore as the only scored element it will continue to have significance going forward.

2.3 Whilst getting a good score in our organisational assessment is both desirable and of considerable benefit to the council, overall it should not be overlooked that many of the elements of the use of resources assessment are what should be expected in a high performing organisation. This coupled with the local government financial settlements over the next few years provide a huge driver to further improve our value for money across the organisation.

3 Outcomes from UoR workshops

3.1 Managing Finances

There are three KLoE for this theme

3.1.1 **Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?**

KLoE Focus: the organisation:	Workshop Outcomes
Integrates financial planning with strategic and service planning processes on a medium to long term basis	Good progress on the production of service plans We can demonstrate that we have planned finances to deliver our strategic priorities However priorities not fully costed and we are not good at stopping doing things which are not priorities Service planning and budget planning processes could be better aligned.
Engaging local communities and other	We already have in place residents survey,

stakeholders in the financial planning process	place survey Budget consultation has included the Youth Council, Chamber of Commerce, Health, voluntary sector, scrutiny. Participatory budget pilots carried out.
Managing spending within available resources and being financially sound over the medium term and ;	Already demonstrated this under existing UoR regime
Recognising individual and collective responsibility for financial management and values and developing financial skills.	Section 151 officer part of CLT who take collective responsibility for the finances of the Council E Learning packages developed Financial competency framework being developed Improved budget reports to managers and training on how to analyse budget information being developed.

3.1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?

KLoE Focus: the organisation:	Workshop Outcomes
Understands its costs, including whole life transactions and unit costs, the main factors that influence these and how they link to performance.	There is a gap with our ability to use unit cost information on a consistent ongoing basis, and linking this to service planning, although there are pockets of good practice.
Takes account of this understanding of its costs and performance in decision making and commissioning and;	Strong in capital projects, but some weaknesses on day to day service management
Identifies the scope for making efficiencies and is on track to achieve planned efficiencies	Has delivered significant efficiencies, but it is recognised that there is a need to develop consistent and formal approach for the delivery of value for money, and this work is underway. This is a priority within the Council Business Plan 2008 to 2011

3.1.3 Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?

KLoE Focus: the organisation:	Workshop Outcomes
Produces relevant, timely and reliable financial monitoring and forecasting information	Budget reporting is strong.
Uses financial and related performance information to monitor performance during the year	Not consistent. There is no integrated finance and performance management system. However, the Council Business Plan does integrate financial performance within its performance indicators.

	Limited evidence of an understanding of the costs of performance improvements
Produced financial reports that are clear, relevant and concise to support strategic decision making	Fully met
Prepares accounts that meet statutory requirements, financial reporting standards and present fairly, or give a true and fair view of, the financial performance and position and:	Fully met

3.2 Governing the Business

There are three KLoE for this theme

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?

KLoE Focus: the organisation:	Workshop Outcomes
has a clear vision of intended outcomes for local people which shapes its commissioning and procurement, and is based on an ongoing analysis and understanding of needs	Clear vision in the Leeds Strategic Plan and the developing JSNA will further inform and evidence this. Is unclear as to how this shapes commissioning and procurement in all areas although there are examples of good practice. One Council commissioning framework should address this inconsistency but also needs to address link to partners There are other good examples of assessments of local needs, and we need to ensure this links effectively to JSNA.
involves local people, partners, staff and suppliers in commissioning services	Examples of good practice rather than a systematic approach
seeks to improve the customer experience, quality and value for money of services through service redesign, making effective use of IT	Good customer strategy evidence, but we need to follow through to understand cause and effects links The work underway to meet the requirements of NI 14 will move us forward on this.
understands the supply market and seeks to influence and develop that market;	Significant work carried out in some areas, but again not across the organisation. However, these focus on the areas where we really need to influence eg social care. Need to improve the quality of our monitoring systems in some areas.
evaluates different options (internal, external and jointly with partners) for procuring services and supplies; and	DSC and capital programme and PFI approach is embedding this across the organisation and there are plenty of good

	examples. The five year financial plan includes this as a core principle. Need to use the service prioritisation model to further target the approach in key areas.
reviews the competitiveness of services and achieves value for money, while meeting wider social, economic and environmental objectives.	This links closely with unit cost information and benchmarking and again there is no clear evidence of this being consistently done. Again service prioritisation approach has potential here.

3.2.2 Does the organisation produce relevant and reliable data and information to support decision making and manage performance?

KLoE Focus: the organisation:	Workshop Outcomes
produces relevant and reliable data and works with partners to ensure the quality of partnership data	Good evidence of this. Reliability of data can be evidenced through Data Quality work
Understands the needs of its decision makers and provides them with information that is fit for purpose and is used to support decision making	Information Knowledge management vision sets out our aspirations in this area. Performance management information is good The delivering successful change shows our structured approach to decision making The officer governance framework and performance management framework both provide structure to how decisions are made in the council Good record of consulting with the public and this information has supported decision making.
Ensures data security and compliance with relevant statutory requirements'	This is an area of potential risk, although plans/systems can be put in place quite quickly to address this issue. However, some issues are cultural and we need to ensure that we all value information as a strategic resource which could take more time to change. We have a data security policy, which needs to be improved Some good practice, but this needs to be council wide We are signed up to Government Connect which details how information is shared between the public sector effectively and safely
Monitors performance against its priorities and targets, and addresses underperformance	Good evidence here e.g. tackling sickness, extension of services provided through the Contact Centre

3.2.3 Does the organisation promote and demonstrate the principles and values of good governance?

KLoE Focus: the organisation:	Workshop Outcomes
has adopted, promotes and demonstrates, the principles of good governance;	Corporate Governance and Audit Committee responsible for a range of governance issues Strong officer leadership with regard to governance Code of Corporate Governance Corporate Governance Standards Committee now taken on a national role Strong governance arrangements around capital programme
maintains focus on its purpose and vision;	The council has been restructured around its priorities. Key support functions have been restructured to come under one chief officer to provide consistency and better implementation of key initiatives
demonstrates a strong ethical framework and culture; and	Ethical Audit carried out for all members and staff. Members induction covers the code of conduct
applies the principles and values of good governance to its partnership working	Whistleblowing policy extended to partners Partnership Governance framework has been developed Memorandum of Understanding for the LAA in place.

3.2.4 Does the organisation manage its risks and maintain a sound system of internal control?

KLoE Focus: the organisation:	Workshop Outcomes
has effective risk management which covers partnership working	Good Risk Management Policy now embedded in service plans Corporate and directorate risks registers in place and key risks closely monitored Key projects use DSC methodology which includes risk assessment Partnership working particularly overall accountability for risk management within the partnership not always well monitored
has a clear strategy and effective arrangements, including allocation of appropriate resources, to manage the risk of fraud and corruption; and	Good evidence of training for officers and members; Business continuity plans; Risk management framework; National Fraud initiative Some inconsistencies across directorates Partnership Business continuity plans not yet assessed Fraud and corruption policy not approved

has a sound system of internal control including internal audit	Annual statement of corporate governance Assurance and compliance through internal audit and internal control Corporate Governance and Audit Committee meet quarterly Compliance with the national code of practice for internal audit, which was largely compiled by Leeds auditors.

3.3 Managing Resources

There are three KLoE for this theme

3.3.1 Is the organisation making effective use of natural resources?

KLoE Focus: the organisation:	Workshop Outcomes
understands and can quantify its use of natural resources and can identify the main influencing factors	Strong story to tell here with our EMAS system where we set targets for reductions in water usage etc but must not be complacent especially with a £20m utility bill Good understanding of our use of natural resources (water, fuel, electricity etc) but we do not have data for all buildings yet but are due to complete programme of smart meter installation this year Reducing CO ₂ footprint is a key priority within the Business Plan. Other good examples: Travel to work, assisted bike purchase, metro cards City centre office accommodation project – aim to reduce office space Links to homeworking and flexible working. Planning influence on land use, biodiversity, flood risk etc
manages performance to reduce its impact on the environment; and	EMAS still needs to be fully embedded into performance management framework – again environmental performance is now included within the business plan.
manages the environmental risks it faces, working effectively with partners	Good arrangements for oil & chemical storage Water Asset management group looking at flood risk Cross agency work on flood defence for city centre Partnership based climate change strategy – about understanding and quantifying risks

3.3.2 Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?

KLoE Focus: the organisation:	Workshop Outcomes
has a strategic approach to asset management based on an analysis of need to deliver strategic priorities, service needs and intended outcomes	Beacon Status for asset management. Received a 4 in all years of the old CPA regime Strong Capital and Asset management strategy Robust process for linking to service planning led by Asset Management and feeding through to the capital programme. Already good examples of joint working with partners LIFT buildings, Joint service centres BSF
manages its asset base to ensure that assets are fit for purpose and provide value for money; and	Backlog maintenance is an issue with scale of historic under-investment.
works with partners and community groups to maximise the use of its assets for the benefit of the local community	Asset management are developing a robust process for assessing and evaluating requests for transfer of property to the local community

3.3.3 Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?

KLoE Focus: the organisation:	Workshop Outcomes
has a productive and skilled workforce; knows in the medium to longer term what staff it will need, with what skills, and has plans to achieve this; engages and supports staff in organisational change; and has policies which support diversity and good people management.	HR focus of work on four areas <ul style="list-style-type: none"> ➤ Change and innovation ➤ Sustaining what we have around turnover, skills gaps, aging workforce ➤ Productivity – pay and reward scheme job redesign ➤ Attendance - prioritised within the Council Business Plan This KLOE will not be tested for 2009

4.0 Conclusions

4.1 There are clearly some areas where we are already in a strong position, especially those KLoE which were present under the old regime. There also some quick wins which officers are already working on.

4.2 There are however, some areas which will require a great deal of work to achieve the standard by the end of 2008/09. These include:

- Establishing a corporate approach to value for money and the generation of efficiencies which includes:
 - Ensuring a systematic approach to benchmarking
 - Ensuring key service unit costs are available and understanding how to use this data alongside performance information and a full understanding of the cost of change.

- Implementation of Service prioritisation throughout the Council and using this to inform and prioritise the roll out of this approach
- Systematic approach to challenging who provides services to clients
- More work with partners to ensure
 - risk and governance issues are included in partnerships arrangements
 - provision for dealing with under performance
- Involving more stakeholders in commissioning
- The ability to effectively link finance, performance and risk information for both officers and members.
- Ensuring systems and process are in place to secure our data

We also need to ensure we have effective workforce planning processes but we do have until the 2010 assessment to implement this.

4.3 The issues that are identified above fall within the work programmes of a number of sections within Central and Corporate Services,, and will need to be incorporated within the individual action plans of the relevant section. It is also intended that the Corporate Governance Board take on the role of reviewing progress towards the 2009 assessment and that a progress report is submitted to this committee in January 2009.

5.0 Implications for Council Policy and Governance

5.1 This report at this time does not have any specific proposals for Council policy and governance, but responding to the new 2009 framework may potentially require the Council to review certain of its governance arrangements.

6.0 Legal and Resource Implications

6.1 There are no new legal implications of the subject of this report. It is clear that it is likely that there will be resources implications.

7.0 Recommendations

7.1 Members of the Corporate Governance and Audit Committee are asked to note the results of the self assessment and to request a further progress report for the January 2009 meeting.