

# **Report to the Finance and Performance Management Cabinet Committee**



**Epping Forest  
District Council**

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**Portfolio:** Finance and Performance Management (Councillor C. Whitbread)

**Subject:** Use Of Resources Assessment 2007/08 – Self-Assessment Submissions and Value For Money Review

**Responsible Officer:** S. Tautz (01992 564180)

**Democratic Services Officer:** G. Woodhall (01992 564470)

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## **Recommendations/Decisions Required:**

- (1) That the Committee consider the Council's draft self-assessment submissions in respect of Use Of Resources and Value For Money, for the Use Of Resources assessment for 2007/08;**
  - (2) That the Committee consider the detailed 'Value For Money Review' of the Council's costs and performance, undertaken in light of the Audit Commission's concern at the level of costs identified in its Use of Resources Judgement for 2006/07;**
  - (3) That, subject to the recommendations of the Committee, the draft self-assessment submissions for the Use Of Resources assessment and the Value For Money Review, be adopted by the Cabinet at its next meeting; and**
  - (4) That, subsequent to the adoption of the draft self-assessments by the Cabinet, the Chief Executive be authorised to amend the documents as necessary prior to their submission to the Council's external auditors, to incorporate any additional details in relation to the authority's performance.**
1. Local authorities are responsible for ensuring that they have proper arrangements in place to secure economy, efficiency and effectiveness in the use of public money, and the Audit Commission is tasked with providing assurance that this is being achieved. To do this, the Council's performance and financial management arrangements are examined through the Use Of Resources (UOR) assessment process. UOR forms an important part of the annual Direction of Travel Assessment, which is undertaken by the Council's appointed external auditors and reflects the conclusions about whether the authority is improving, and the extent of any such improvement.
  2. In addition to the findings of the UOR assessment, the Direction of Travel Assessment is based on the authority's achievement of Value For Money (VFM), its performance against Best Value Performance Indicators during the last year and other inspection exercises carried out over the previous twelve months. The findings reached about the authority in the Direction of Travel Statement are important as they can trigger intervention or further inspection, and an unfavourable judgement could also have a negative impact on the Council's public reputation. The UOR assessment supports continuous improvement and helps to establish minimum requirements for future external audit and inspection.

3. UOR involves an assessment of the Council's overall performance against the following Key Lines of Enquiry (KLoE), that describe what performance at each level might look like, or which identify the arrangements that should be in place:
  - **Financial Reporting** – How good are the Council's financial accounting and reporting arrangements?
  - **Financial Management** – How well does the Council plan and manage its finances?
  - **Financial Standing** – How well does the Council safeguard its financial standing?
  - **Internal Control** – How well does the Council's manage its significant business risks?
  - **Value For Money** - How well does the Council achieve good value for money?
  
4. The KLoEs are rooted in a number of sources, including statutory and professional requirements, and best practice. The Council is required to provide evidence to support its progress and achievements against the KLoE criteria, focusing on whether there have been any changes to the authority's arrangements since the last assessment. The following scale developed by the Audit Commission is used to score judgements against each KLoE:
  - 4 = well above minimum requirements – **performing strongly**;
  - 3 = consistently above minimum requirements – **performing well**;
  - 2 = at only minimum requirements – **adequate performance**; and
  - 1 = below minimum requirements – **inadequate performance**.
  
5. Following the first UOR assessment in 2005, the former Management Board established an officer level Use of Resources Working Party, with the primary focus of improving performance against the KLoEs and the Council's overall UOR score. Improvements were subsequently achieved in a number of areas for 2006 and the Working Party was re-established for 2007, and again in 2008 in advance of the current assessment.
  
6. The Cabinet will be aware that the Council increased its overall UOR score to 3 (Performing Well) last year, when the assessment was made against a more challenging set of KLoE criteria. For the current assessment, the Audit Commission has raised the bar still further, in terms of the levels of demonstrable progress necessary to maintain or improve overall UOR performance.
  
7. Local authorities are invited to complete a VFM self-assessment as part of the overall UOR assessment process. Although this is not a mandatory requirement, it is considered beneficial for the Council to complete a self-assessment, highlighting areas of improvement. In addition, and although again not a mandatory requirement, it is felt that the Council should also complete a UOR self-assessment for 2007/08, based around the UOR KLoEs. The completion of the self-assessments provides an opportunity to set out the Council's corporate approach to the use of resources and its provision of value for money services, and to articulate current performance and progress over the last year.
  
8. The draft UOR and VFM self-assessments for 2007/08 are attached as Appendix 1 and 2 to this report. The self-assessments are required to be submitted to the Council's external auditors by September 2008, with subsequent on-site validation due to take place shortly thereafter. In order that the content of the self-assessments can be as current and up to date as possible, it is proposed that they be formally adopted by the Cabinet at its meeting on 1 September 2008.

## **Value For Money Review**

9. At the meeting of the Audit and Governance Committee in January 2008, members considered a report of the Audit Commission setting out its Use of Resources Judgements for 2007, and the Commission's assessment of the Council's performance against the KLoEs that make up the UOR assessment framework.
10. The Audit and Governance Committee noted that, whilst the Council had improved its overall UOR performance to the score of 3 referred to in paragraph 11 above, the authority had only attained a score of 2 (Adequate Performance) for the VFM element of the assessment. This score was supported by the comment of the Commission that 'the Council's costs are higher than comparable councils, although they are reducing'. In view of this comment and the importance of value for money, it was agreed by the Cabinet at its meeting on 9 June 2008 that a detailed VFM review be undertaken to explore the facts which underlie the Commission's statement. The review has been pursued through an analysis of information available from a variety of sources (including cost and performance data published by the Audit Commission), and consideration of the validity of the data used by the Commission, in order to reach an overall conclusion on the provision of value for money by the Council. A presentation on the main findings of the review will be made separately to the Committee at this meeting.
11. The exploration of the provision of value for money by the Council forms an element of the Executive Work Programme for 2008/09 and the Council has also appointed the Finance and Performance Management Portfolio Holder as its VFM 'Champion' for the year. It is intended that the VFM Review will be submitted to the Council's external auditors as part of the VFM self-assessment for 2007/08.
12. In considering the findings of the VFM Review, it is possible that the Committee or the Cabinet may identify specific issues that require further detailed analysis. Any such matters will be referred to the Finance and Performance Management Scrutiny Panel for investigation, as part of the Panel's work programme for 2008/09.

## **Value For Money Analysis**

13. A central theme running through the VFM KLoEs is the importance of the Council having information on its costs, and knowing how these compare to other organisations and relate to the quality of the authority's services.
14. Whilst a range of concerns are highlighted in the VFM Review about the validity and worth of analysing costs at a detailed service level and the level of confidence that can be obtained from comparisons with other local authorities, the Use of Resources Working Party has previously formulated a VFM Analysis Tool in order to better understand the Council's unit costs for individual services and how they relate to performance and compare with other organisations, which has previously been recognised as a model of good practice by the Audit Commission. The aim of the VFM analysis is to inform further value for money analysis and discussion on an annual basis, and the tool is separated into directorates and then broken down into distinct areas of activity for which performance indicator information is available. The analysis contains three distinct groupings of data relating to each service activity, as follows:
  - clutches of performance indicators;
  - clutches of cost information; and
  - a short commentary on performance and cost.

15. The purpose of the VFM analysis is only to provide an initial indicator of the relationship between performance and costs for services, to prompt discussion, and to identify areas where further more detailed and targeted analysis may be required, which may then lead to a need for some form of corrective action or additional resource allocation. The first results of the analysis (for 2005/06) were considered by a Sub-Group of the Finance and Performance Management Scrutiny Panel, as a result of which a specific Task and Finish Panel was established to consider the provision of value for money within the Council's planning functions, and a specific report on leisure management costs was sought.
16. The VFM analysis is currently being updated to reflect the latest available cost and performance information (for 2006/07). The Cabinet has agreed that the analysis should be considered by the Finance and Performance Management Scrutiny Panel, with a view to recommendations for further action being made to the Overview and Scrutiny Committee.

### **Resource Implications:**

Participation in the UOR process can be met from the budget and staff provision of the Performance Improvement Unit for 2008/09. The costs of undertaking the proposed VFM review can be met from salary underspends within the salary budget of the Performance Improvement Unit for 2008/09.

### **Legal and Governance Implications:**

There are no legal implications or Human Rights Act issues arising from the recommendations in this report. As in previous years, it has been considered important for the Council to complete the voluntary self-assessments in relation to the overall UOR process. The Council is required to participate in the annual assessment process, but could decide not to pursue further its examination of value for money issues. However, this would potentially have implications not only for the judgements made about the authority in the next assessment, but might also mean that opportunities for improvement were lost.

### **Safer, Cleaner and Greener Implications:**

There are no implications arising from the recommendations in this report for the Council's commitment to the Nottingham Declaration for climate change, the corporate Safer, Cleaner and Greener initiative, or any Crime and Disorder issues within the district.

### **Consultation Undertaken:**

The content of the UOR and VFM self-assessments and the VFM review and analysis will be subject to consultation with the Use Of Resources Working Party, the Corporate Executive Forum and all service directors.

### **Background Papers:**

None

### **Impact Assessments:**

There are no equality implications arising from the recommendations in this report. In terms of risk management, a poor Use of Resources assessment score could trigger intervention or further inspection, as well as having a negative effect on the Council's reputation.