

**COMPREHENSIVE PERFORMANCE ASSESSMENT:
USE OF RESOURCES
(Report by the Heads of Policy and Financial Services)**

1. INTRODUCTION

- 1.1 As part of the changes to the comprehensive performance assessment process – the Audit Commission have introduced an annual “Use of Resources” judgement. It replaces the previous Auditor judgement.
- 1.2 The purpose of this report is to acquaint the Cabinet with the scope of that assessment and the first element – “a Value for Money Self Assessment” – that has to be completed by the end of September.

2. SUPPORTING INFORMATION

- 2.1 Following the first round of CPA assessments the Audit Commission have implemented or is proposing a number of changes to the process which are designed to provide a more challenging test of performance. The Commission are currently consulting on the overall system to be used for District Council’s but, in the meantime have introduced some elements which are common to both District, County and Unitary Councils, including the “Use of Resources Assessment and a “Direction of Travel” Statement.
- 2.3 The Direction of Travel Statement is designed to assess Council’s progress in implementing their improvement programmes and this reflects development areas highlighted in the CPA assessment.
- 2.4 The Use of Resources Assessment is designed to assess how well Councils manage and use financial resources, the soundness of strategic financial management and the use of resources to support the Council’s priorities.
- 2.5 The assessment covers five areas –
- ◆ **financial reporting;**
 - ◆ **financial management;**
 - ◆ **financial standing;**
 - ◆ **internal control; and**
 - ◆ **value for money.**
- 2.6 The Assessment will be conducted annually and has been revised significantly from the previous Auditor judgement. The Audit Commission suggest that they will offer stronger judgements which will be broader and more strategic in their nature and reflect the impact of financial arrangements as well as the adequacy of those arrangements.

2.7 The Assessment will be scored on the following scale –

4	Well above minimum requirements – performing strongly
3	Consistently above minimum requirements – performing well
2	At only minimum requirement – adequate performance
1	Below minimum requirement – inadequate performance

2.8 Each judgement area consists of a number of key lines of enquiry and areas of audit focus and evidence. The Commission have stated that this judgement will provide higher standards of assessment. It will reflect the principle of continuous improvement and establish a clear minimum requirement for the future. In broad terms this means that Councils which consistently scored 3 under the previous auditor judgement is likely to score 2 under the new assessment unless we can demonstrate improvement. Eventually, the scores from this assessment will be used in future re-categorisation of the CPA rating and determine the level of future external regulation and inspection.

2.9 The first element of the assessment is a value-for-money self-assessment which has to be completed by the end of September each year. The first draft of this self-assessment is attached and updated information will be available at the meeting. It is intended to continue to refine and add evidence to the self-assessment through to the end of the month. This process will require a delegation of authority to complete the self-assessment within the required timescale.

2.10 As part of the value for money assessment the Auditor will review the Council's annual efficiency statement. The District Council's external Auditor has proposed that the remaining four elements will be assessed during October or November. This "field work" will be completed by January and the scores for all District Councils published in the annual audit inspection letter in March 2006.

3. RECOMMENDATIONS

3.1 Cabinet is recommended to

- (a) note progress to-date in the completion of the value for money self-assessment and the timetable for the remaining Use of Resources Assessment; and
- (b) authorise the Chief Executive, after consultation with the Leader of the Council, to approve and submit the value for money self-assessment.

BACKGROUND PAPERS

Audit Commission – Use of Resources Guidance 2005.

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