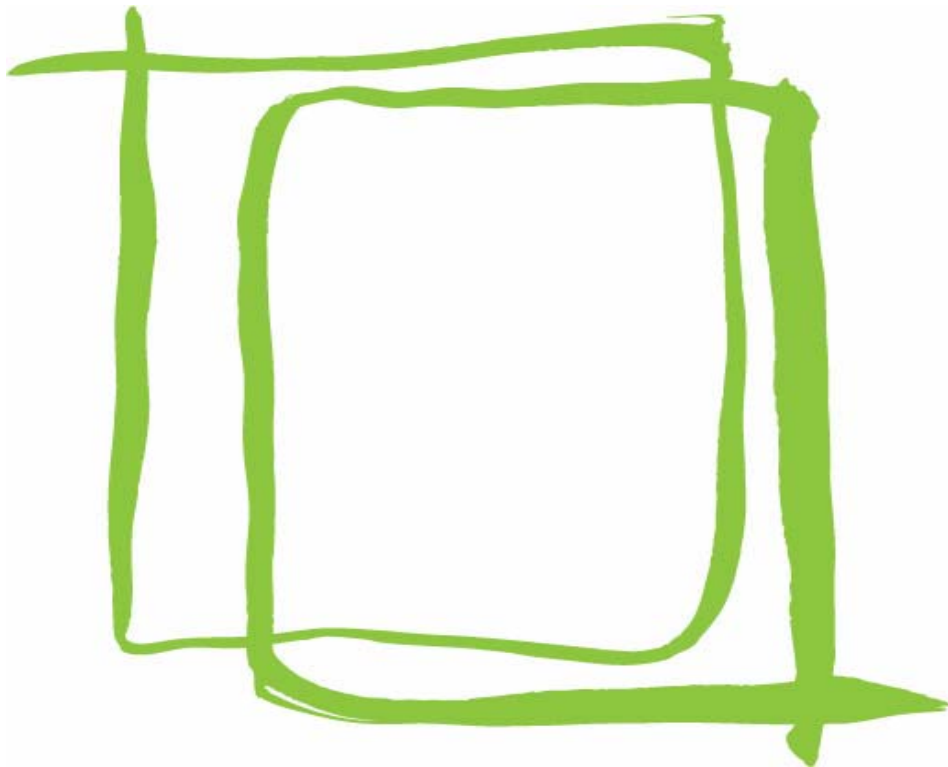


Use of Resources Assessment

Cleveland Police Authority

Audit 2008/09

April 2009



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Status of our reports

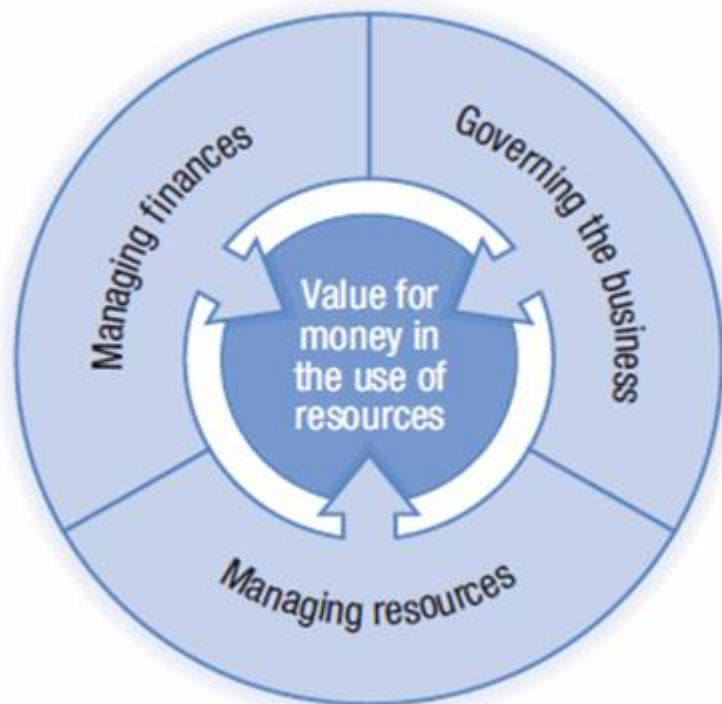
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- any director/member or officer in their individual capacity; or
 - any third party.
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Summary

- 1 The use of resources (UoR) assessment considers how well organisations are managing and using their resources to deliver value for money and better and sustainable outcomes for local people. The assessment is structured into three themes that focus on the importance of sound and strategic financial management, strategic commissioning and good governance, and the effective management of natural resources, assets and people. The three themes are illustrated below.
- 2 Each theme comprises of a number of underlying key lines of enquiry (KLOE), which are set out in the overall approach document. The KLOE are generic to all organisations subject to a use of resources assessment under the new Comprehensive Area Assessment (CAA). This promotes consistency and demonstrates that all organisations within a CAA area are treated in exactly the same way and to the same standards.
- 3 This project brief outlines the work required to complete the 2008/09 UoR at Cleveland Police Authority (the Authority).

Use of resources framework 2008/09



Introduction

- 4 The Audit Commission published its use of resources overall approach and key lines of enquiry in May 2008.
- 5 Following a period of extensive consultation guidance on the UoR assessment was published in October 2008 and is readily available on the Commission's website at: www.audit-commission.gov.uk/useofresources/2009guidance.asp
- 6 The website sets out in detail the guidance for each KLOE. A summary of all the KLOEs for police authorities is attached at Appendix 1. However, we shall only be reviewing 8 out of 10 of the KLOEs for the Authority in 2008/09.
- 7 For each KLOE there is a generic introduction which includes the high level KLOE question, the supporting KLOE focus bullet points and the Audit Commission's view of why the KLOE is important in the context of the use of resources assessment.
- 8 After the generic introduction to each KLOE, the guidance is presented on a sector basis. This allows the guidance to be tailored and applied in an appropriate way to suit the different circumstances of each sector. The sector based guidance for each KLOE is structured as follows:

Sector context

- 9 Provides information about key issues and developments relevant to the sector that will help auditors in their assessment of the KLOE.

What might you expect to see?

- 10 This section is presented under sub-headings that match the KLOE focus bullet points. Auditors are not expected to score each individual KLOE focus bullet point or sub-heading but will use the evidence collected to arrive at a rounded judgement against the headline KLOE question. Using this approach helps to break the guidance down into manageable segments and show how it links to the KLOE focus. Each sub-heading includes the following.
 - What's this about?
 - Getting the basics right - what might you expect to see?
 - Performs well - what might you expect to see?
- 11 'Getting the basics right' includes the characteristics of performance for level 2 and 'performs well' includes the characteristics of performance for level 3. The scoring used for UoR is described in more detail below.
- 12 The characteristics of performance have been integrated into the guidance, rather than presented separately, to reinforce the message that they are not a list of criteria or a checklist to be complied with in order to achieve a certain score.

Introduction

- 13 The guidance and characteristics are those that the Audit Commission considers auditors might expect to see at audited bodies performing at levels 2 and 3 but they are not intended to be prescriptive. Auditors might see other characteristics that enable the audited body to demonstrate it is performing at a particular level and these may be equally as valid as those included in the guidance.

Sources of evidence

- 14 Includes a list of examples of potential sources of evidence that might be available at audited bodies and which auditors may wish to review to support their judgements. The list is not exhaustive and is not intended to be prescriptive about the documents, arrangements or processes that audited bodies might have in place or the evidence that auditors might need to review. Auditors may draw on other sources of evidence, reflecting local circumstances, to support their judgements.

Reference material and further information

- 15 Provides links to reference material and further information relevant to the KLOE that might be of interest to auditors and audited bodies, for example professional guidance, standards and Audit Commission national reports. The material in this section is not required reading but draws together relevant sources of information in one place to provide a knowledge resource for the KLOE.

Use or resources scoring

- 16 The UoR assessment will use the Audit Commission's current four-point scale from 1 to 4, with 4 being the highest.
- 17 The table below summarises the underlying principles which auditors will apply when assessing performance. The principles are implicit in the characteristics and guidance for each KLOE. Level 1 represents a failure to meet the minimum requirements at level 2.

Level 2 Performs adequately	Level 3 Performs well	Level 4 Performs excellently*
Arrangements that are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.	Implemented effective arrangements that are: <ul style="list-style-type: none">• forward looking and proactive in identifying and developing opportunities for improvement; and• include more sophisticated measuring and assessment techniques.	Demonstrating innovation or best practice.

Level 2 Performs adequately	Level 3 Performs well	Level 4 Performs excellently*
Arrangements sufficient to address the KLOE, demonstrating, for example: organisational leadership and commitment; partnership working; appropriate capacity and skills informed by priorities with supporting action plans as appropriate.	Outputs and outcomes demonstrate arrangements which are effective and have the intended impact. Where appropriate, the arrangements show evidence of effective partnership working.	Demonstrating strong outcomes for the community including through partnership working.
Arrangements that achieve minimum acceptable levels of performance.	Evidence of performing consistently above minimum acceptable levels and achieving value for money	Evidence of performing well above minimum acceptable levels and achieving excellent value for money.

*Note: level 4 label has been updated since the publication of the use or resources overall approach document in May 2008.

- 18 The principles for each level of performance are cumulative - for example, the principles outlined to support level 3 will be considered in addition to those at level 2.
- 19 To give a score of 4 the auditor must be satisfied that the body's performance is excellent across the entire scope of the KLOE. The auditor must therefore have evidence that strong arrangements have led to demonstrably excellent value for money outcomes throughout the year under review. It will no longer be necessary therefore to submit a 'one-off' example of 'notable practice' to support a score of 4 as there will need to be evidence of excellent performance during the year in all aspects of the KLOE.
- 20 Auditors are asked to consider and submit examples of significant outcomes and significant improvements in performance that would provide suitable material for case studies.
- 21 Given that the new UoR assessment is different to the previous assessment, the Authority should not assume that their UoR score will be at the same level as their 2007/08 score. Our UoR assessment will be judged on the evidence made available to us in 2008/09.

Background

- 22** The UoR assessment forms part of the joint inspectorates' framework for Comprehensive Area Assessment, which takes effect from April 2009, and will also feed into other relevant performance assessment frameworks as appropriate, such as those relating to PCTs and police authorities and forces. The inspectorates, including the Audit Commission, are currently consulting on their joint proposals for CAA. The consultation proposes that CAA will consist of two assessments, of the area and of the organisations in an area. The area assessment will look at how well local public services are delivering better results for local people in local priorities such as health, economic prospects and community safety, and how likely they are to improve in the future.
- 23** The inspectorates expect to publish the final framework in early 2009, so this section of the use of resources guidance will be updated once the wider CAA framework is available.

Local Area Agreements

- 24** Local Area Agreements (LAA) are central to the new settlement between central government, local government and citizens. LAAs are about improving local services and increasing economic prosperity for local people. They are three-year agreements with priorities agreed between all the main public sector agencies working in the area and with central government through the relevant government office. Partners are brought together under a 'Local Strategic Partnership' which agrees a Sustainable Community Strategy for its area. This is a long term strategy for the local area based on consultation with local people about the sort of place they want the area to be.
- 25** The LAA is based on the objectives in the Sustainable Community Strategy and translates these into targets to secure the improvements local people want to see. LAAs include up to 35 targets drawn from the new National Indicator Set which Authority's and their partners negotiate with central government through the relevant government office. Performance is monitored by the government offices. In addition to these 'designated targets', partners may also include local targets.
- 26** The agreed local priorities will form the initial focus for the area assessment. The area covered by the LAA is that being used by the inspectorates for the area assessment.

Area assessments

- 27** The area assessment will look at how well local public services are delivering better results for local people in local priorities and how likely they are to improve in the future. Use of resources will make a valuable contribution to the area assessment. The proposed questions for the area assessment are as follows.
- How well do local priorities express community needs and aspirations?
 - How well are the outcomes and improvements needed being delivered?
 - What are the prospects for future improvement?

- 28 There are a number of UoR KLOEs which may provide evidence to feed into consideration of these questions by the CAA lead and partner inspectorates. For example the assessment of commissioning at KLOE 2.1 involves consideration of how well audited bodies are analysing their communities' needs for services and whether local priorities and commissioning decisions are being appropriately informed by this analysis. This supports the area assessment of both delivery of improvements and prospects for future improvement.
- 29 Alongside the area assessment, the Commission proposes to publish performance against the new National Indicator Set. (NIS). Many of the new national performance indicators for 2008/09 will be an important source of evidence for the assessment. Auditors' work in assessing audited bodies' arrangements for assuring data quality at KLOE 2.2 will underpin the CAA performance framework as a whole.

Organisational assessments

- 30 The proposals for CAA include carrying out and reporting organisational assessments, or contributing to other relevant performance assessment frameworks where these are the equivalent to organisational assessments. The use of resources assessment is a key component of the proposed organisational assessment for Authority's and fire and rescue authorities. For PCTs and police authorities and forces it provides key information which is included in the relevant performance assessment frameworks.
- 31 Whether use of resources work forms part of an organisational assessment or feeds into an equivalent framework, partner inspectorates will optimise the benefits of sharing evidence to reduce the burden on authorities and avoid duplication of effort. Evidence will be shared by partners so that they can place reliance on relevant work where it is appropriate to do so.

Scope and objectives

- 32 The scope of this audit is defined by the UoR KLOEs that apply to the Authority in 2008/09. These are summarised at Appendix 1.
- 33 Working closely with officers of the Authority our objective is to secure, sufficient relevant evidence in relation to each KLOE in order to achieve a robust judgement on the Authority's use of resources in 2008/09.

Audit approach

- 34 We plan to follow the methodology set out in the guidance on the Commission's website in relation to the KLOE's relevant for 2008/09. Where required we will interview key members of staff and seek relevant documentary evidence on which to base our judgements.
- 35 To assist the Authority in its task of assembling relevant evidence we will share a gap analysis based on a nationally developed planning tool indicating where, from our cumulative knowledge, we already have good evidence against particular KLOEs.
- 36 We understand that the Authority is planning to prepare a self assessment and we will consider the gap analysis and the self-assessment together with supporting evidence as part of our overall assessment.

Reporting and timescales

- 37 The national timeline for the 2008/09 UoR assessments is set out in the table below.
- 38 In order to meet the national deadlines we strongly recommend that the Authority aims to have submitted the first substantial tranche of evidence to us by 28 February 2009. Following evaluation of the evidence we will refer back to the Authority where any significant gaps exist either preventing us from making a judgement or where the absence of evidence is indicating inadequate performance. This will give the Authority the opportunity to submit fresh evidence.
- 39 We aim to complete our fieldwork, other than for items such as final accounts, by the end of March 2009.
- 40 Formal reporting will be in accordance with the timeline detailed below.

Table 1 Key stages in the timeline for 2008/09 use of resources assessments

October 2008	Auditor guidance published on Audit Commission website.
December 2008 - September 2009	Fieldwork.
May - June 2009	Area based challenge process on indicative scored judgements (all sectors).
August 2009	Councils, police and fire Submission of draft scored judgements and supporting evidence for national QA.
September 2009	Councils, police and fire Reporting to those charged with governance to include: <ul style="list-style-type: none"> • VFM conclusion; and • final use of resources scored judgements.
Late November 2009	Final organisational assessments reported as part of CAA reporting. Issue annual audit letter (councils, police and fire).

Audit personnel and key contacts

Table 2

The following Audit Commission staff will be involved with the work.

Name	Contact details
Catherine Andrew	c-andrew@audit-commission.gov.uk
Sandra Swan	s-swan@audit-commission.gov.uk
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Table 3

The following staff will be our key contacts.

Name	Contact details
Paul Kirkham	Paul.KIRKHAM3@cleveland.pnn.police.uk

Appendix 1 – Themes and KLOEs

Managing finances

How effectively does the organisation manage its finances to deliver value for money?

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

1 KLOE focus

2 The organisation:

- integrates financial planning with strategic and service planning processes on a medium to long-term basis;
- engages local communities and other stakeholders in the financial planning process;
- manages spending within available resources and is financially sound over the medium term; and
- recognises individual and collective responsibilities for financial management and values and develops financial skills.

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

3 KLOE focus

4 The organisation:

- understands its costs, including whole life, transaction and unit costs, the main factors that influence these and how they link to performance;
- takes account of this understanding of its costs and performance in decision making and commissioning; and
- identifies the scope for making efficiencies and is on track to achieve planned efficiencies.

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

5 KLOE focus

6 The organisation:

- produces relevant, timely and reliable financial monitoring and forecasting information;
- uses financial and related performance information to monitor performance during the year;
- produces financial reports that are clear, relevant and concise to support strategic decision making;
- 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
- publishes reports that provide an objective, balance and understandable assessment of the organisation's performance in the year.

Governing the business

How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people?

2.1 Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?

7 KLOE focus

8 The organisation:

- 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;
- involves local people, partners, staff and suppliers in commissioning services;
- seeks to improve the customer experience, quality and value for money of services through service redesign, making effective use of IT;
- understands the supply market and seeks to influence and develop that market;
- evaluates different options (internal, external and jointly with partners) for procuring services and supplies; and
- reviews the competitiveness of services and achieves value for money, while meeting wider social, economic and environmental objectives.

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

9 KLOE focus

10 The organisation:

- produces relevant and reliable data and works with partners to ensure the quality of partnership data;
- understands the needs of its decision makers and provides them with information that is fit for purpose and is used to support decision making;
- ensures data security and compliance with relevant statutory requirements; and
- monitors performance against its priorities and targets, and addresses under-performance.

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

11 KLOE focus

12 The organisation:

- has adopted, promotes and demonstrates, the principles of good governance;
- maintains focus on its purpose and vision;
- demonstrates a strong ethical framework and culture; and
- applies the principles and values of good governance to its partnership working.

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

13 KLOE focus

14 The organisation:

- has effective risk management which covers partnership working;
- has a clear strategy and effective arrangements, including allocation of appropriate resources, to manage the risk of fraud and corruption; and
- has a sound system of internal control including internal audit.

Managing resources

How well does the organisation manage its natural resources, physical assets, and people to meet current and future needs and deliver value for money?

3.1 Is the organisation making effective use of natural resources?

15 KLOE focus

16 The organisation:

- understands and can quantify its use of natural resources and can identify the main influencing factors;
- manages performance to reduce its impact on the environment; and
- manages the environmental risks it faces, working effectively with partners.

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

17 KLOE focus

18 The organisation:

- has a strategic approach to asset management based on an analysis of need to deliver strategic priorities, service needs and intended outcomes;
- manages its asset base to ensure that assets are fit for purpose and provide value for money; and
- works with partners and community groups to maximise the use of its assets for the benefit of the local community.

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

19 KLOE focus

20 The organisation:

- 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.

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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