

Fire and rescue

August 2006

# **Fire and rescue performance framework 2006/07**

**Guide to use of resources and key lines of enquiry**

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## Introduction

- 1 The use of resources assessment evaluates how well the Fire and Rescue Authority (FRA) manages and uses its financial resources. It is a more stringent test of performance than the auditor scored judgements that informed Fire CPA in 2005. It focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the authority's priorities and improve services. It has 5 themes covering:
  - Financial reporting
  - Financial management
  - Financial standing
  - Internal control
  - Value for money.
- 2 The use of resources assessment will be conducted annually in all FRAs. It has been tailored from the local government version and revised as a result of consultation. It will offer stronger judgements on financial reporting, financial planning and management, internal control and financial standing than we have previously given FRAs. The higher standards reflect the principle of continuous improvement and will help establish clear minimum requirements that may provide the foundation for reducing regulation in the future. The questions on which the judgements will be based are broader and more strategic in their nature and reflect the impact of financial arrangements as well as the adequacy of those arrangements. The value for money (VFM) judgement will draw on a mandatory self-assessment by the authority. A self assessment is not a requirement for any of the other themes.
- 3 The use of resources theme scores for FRAs are likely to be one of the key factors in deciding if there has been sufficient progress since Fire CPA in 2005 to merit consideration of re-categorisation from 2007 onwards.
- 4 The Audit Commission will determine the overall use of resources score by combining the auditor's separate scores for each of the themes covered, using a set of rules. The score will be on the following scale:
  - 1 = below minimum requirements – inadequate performance
  - 2 = only at minimum requirements – adequate performance
  - 3 = consistently above minimum requirements – performing well
  - 4 = well above minimum requirements – performing strongly
- 5 Each theme consists of a number of key lines of enquiry and areas of audit focus and evidence. There are also descriptions of performance against each key line of enquiry showing performance at levels 2, 3 and 4.

## Links with Code of Audit Practice

- 6 Under the Code of Audit Practice auditors are required from 2005/2006 to give a positive conclusion (the value for money conclusion) as to whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The scope of these arrangements is defined in the Code as comprising corporate performance management and financial management arrangements. The auditor's value for money (VFM) conclusion will be limited by reference to 'criteria specified by the Audit Commission'.
- 7 The Commission has developed a set of criteria covering 12 aspects of audited bodies' arrangements, on the basis of which auditors will give their VFM conclusion. The criteria for eight of these aspects link directly to the key lines of enquiry (KLOEs) to be applied in forming the use of resources judgement. The criteria for the other four aspects relate to performance management arrangements and data quality and are not therefore covered by the use of resources judgements.
- 8 For the purpose of the VFM conclusion required by the Code, auditors will be required to address a 'yes/no' question - the authority either has proper arrangements or it does not. For their use of resources judgements, auditors will be required to deliver a qualitative judgement about how good or effective those arrangements are. In addressing the question of proper arrangements, auditors will be required to apply the relevant use of resources criteria that define a score of level 2 (only at minimum requirements - adequate performance). Where an authority fails to achieve a score of level 2 for any of the key lines of enquiry that are directly linked to the eight Code criteria, the auditor may consider qualifying his or her VFM conclusion.
- 9 As the criteria for the VFM conclusion and use of resources judgement are closely linked, auditors work in relation to both will be integrated to avoid duplication. Fieldwork for the Direction of Travel assessment (see *Fire and Rescue Performance Framework 2006/07*) will also be integrated with work to undertake the value for money element of the use of resources assessment.

## Key lines of enquiry

### Overall objective

- 10 The overall objective is for auditors to form judgements for each of the five themes that comprise the overall use of resources assessment. Each theme consists of a number of key lines of enquiry (KLOE). The KLOE are scored and then combined to arrive at a judgement for each theme.

### Descriptors/criteria

- 11 The KLOE form the basis of the auditor's judgements and are supported by 'descriptors' for the value for money theme and 'criteria' for themes other than value for money. These describe what performance by an FRA at each level might look like or identify the arrangements it should have in place. Descriptors and criteria are included for performance levels 2, 3 and 4. Level 1 is represented by FRAs that do not achieve level 2.
- 12 In completing the value for money theme, auditors will assess which set of descriptors represent a 'best fit' for the FRA.
- 13 For the first four themes (financial reporting, financial management, financial standing and internal control) the criteria include elements that are shown in **bold type** and indicated with an asterisk (\*). These represent 'must haves' for that level. This approach has been introduced to phase in those criteria where achievement is considered to be more demanding or requires significant investment and lead-in time for FRAs. The general requirement is that failure to meet any of those in bold type would prevent that level being achieved for the KLOE. There may be circumstances where this could be varied, for example by reference to alternative compensating arrangements, but the auditor would need to be able to justify this with supporting evidence during the quality control process. The descriptors are cumulative, for example an FRA that met criteria at level 3 could not be given a score of 3 unless it also met the criteria for level 2.
- 14 The use of 'must have' emboldened criteria is not employed in the value for money section as this is not underpinned by an equivalent body of professional standards and guidance, making the assessment necessarily more judgemental in nature. The need for supporting evidence, however, remains as great. In completing work to support the value for money judgement auditors will assess which set of descriptors represent a 'best fit' for the FRA. Some descriptors may not be relevant others may, for good reason, be less important.

### Achieving level 2 (themes other than value for money)

- 15 Most criteria at level 2 are shown in **bold** and indicated with an asterisk (\*). These criteria are therefore 'must haves'. This is because level 2 performance represents a minimum requirement and will need to be in place before an FRA can be considered for level 3. A small number of criteria are not shown in bold to allow FRAs lead-in time to achieve these. The intention is that all criteria at level 2 will be required in the future.

- 16 There is also a link between achieving level 2 performance and satisfying the Code criteria for a positive value for money conclusion (see paragraphs 6 - 8).

### **Achieving level 3 (themes other than value for money)**

- 17 To achieve level 3 performance, FRAs must have all arrangements described at level 2 in place. It is important to note that these should be embedded and operating effectively with clear outcomes, which is a more demanding test than for level 2. In addition, all bold criteria at level 3 must be met. It is not necessary to achieve non-bold criteria. It is intended however, that over the medium term, all criteria will need to be met.

### **Achieving level 4 (themes other than value for money)**

- 18 An FRA that is performing strongly will need to demonstrate it meets all the bold criteria for levels 2 and 3, that its arrangements are effectively embedded and have an impact on outcomes. The number of criteria at level 4 has been kept to a minimum and these have not been shown in bold. This is because criteria for this score are more indicative, to avoid them becoming unnecessarily prescriptive and limiting. In addition to meeting the criteria, evidence to support achievement of level 4 should demonstrate innovation or best practice that can be shared with other FRAs.

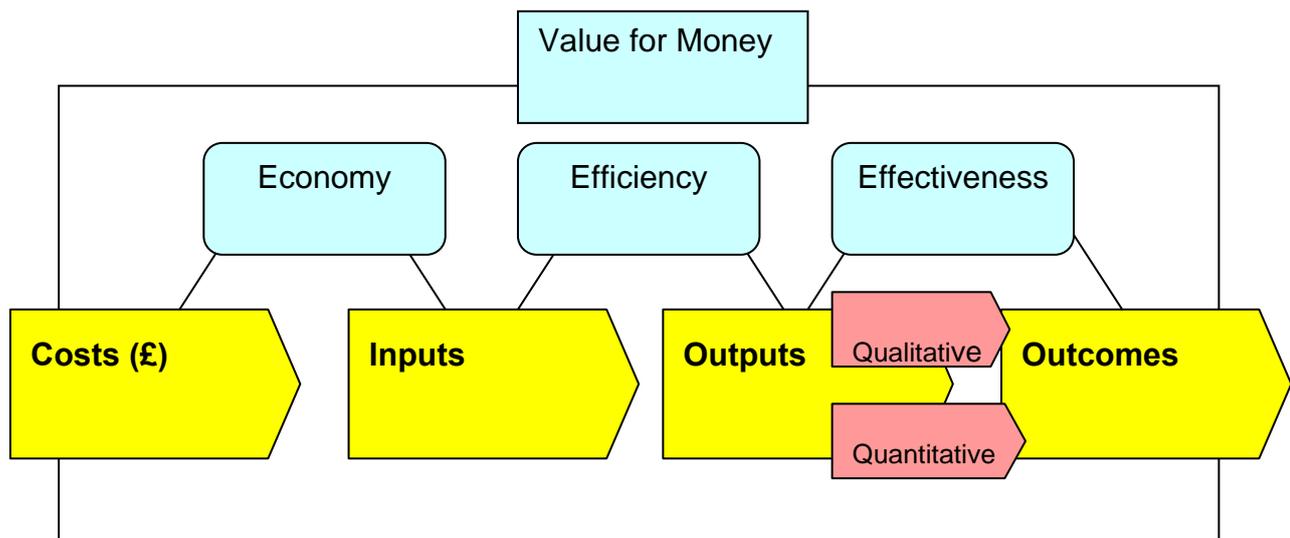
## Themes other than value for money

- 19** The themes other than value for money are:
- financial reporting;
  - financial management;
  - financial standing; and
  - internal control.
- 20** The KLOE and criteria are rooted in a number of sources including statutory and professional requirements and best practice. The criteria will be reviewed on a regular basis to ensure they remain current and reflect changes in statutory and professional requirements and best practice.
- 21** The criteria have been drafted with reference to CIPFA's 'Improving financial management and effectiveness in the public service: the CIPFA FM model'. This is a web based self-assessment tool that can be used to use to evaluate and assess performance in delivering good financial management. Each judgement is supported by further questions, some of which are considered fundamental, while others need to be in place to achieve the top score (4). In instances where local authorities have used this self-assessment tool, it has provided valuable evidence in support of auditors' use of resources judgements, however FRAs will not be penalised for not using the CIPFA model.
- 22** In making a judgement against the four themes, auditors will ask FRAs to provide evidence to support the criteria.
- 23** Some terms used in the criteria, such as 'clearly trivial', 'significant', 'small number' and 'several' have prompted requests for clarification. These terms are not suitable for precise quantitative definition, but reflect the need for auditors to exercise professional judgment in the local context. The term 'clearly trivial' is a professional term used by the International Standard on Auditing (UK and Ireland) 260 'Communication of audit matters with those charged with governance'. The standard defines 'matters which are clearly trivial will be of a different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative and/or qualitative criteria'.
- 24** In assessing evidence in relation to 'significant', 'small number' and 'several', we are asking auditors to form a rounded view taking account of local quantitative and qualitative context issues. For example, in assessing the quality of financial reporting, auditors will be asked to consider issues such as the relative value and impact on the reader of the accounts of any errors, the overall quality of the statements and also past performance in producing the accounts. This will then guide them in forming their judgement as to whether performance meets or exceeds minimum requirements. This judgement, as with all others, will be subject to a national quality control process, aimed at helping to ensure that auditors are being consistent on a national basis.

## Value for money

- 25 Value for money has long been defined as the relationship between economy, efficiency and effectiveness, sometimes known as the 'value chain' and is illustrated by the following diagram:

**Figure 1** Value for money



- 'Economy' is the price paid for what goes into providing a service – for example, the cost per hour of a fire fighter; the rent per square metre of accommodation.
  - 'Efficiency' is a measure of productivity – how much you get out in relation to what is put in. For example, the number of home fire safety checks per week; kilometres driven between vehicle services.
  - 'Effectiveness' is a measure of the impact achieved and can be quantitative or qualitative. For example, how many fires were prevented by home fire safety checks (quantitative); satisfaction levels among different sections of the community with fire service arrangements (qualitative). Outcomes should be equitable across communities, so effectiveness measures should include aspects of equity.
- 26 'Value for money' or best value is high when there is an optimum balance between all three – relatively low costs, high productivity and successful outcomes. The Improvement and Development Agency in its procurement guidance has defined value for money as the 'optimum combination of whole life costs and benefits to meet the customer's requirement'.

## Self-assessment

- 27 The self assessment covers both direction of travel and use of resources (value for money theme). Self-assessments should be completed and returned to your Relationship Manager by 16 October 2006. The Relationship Manager will share the self-assessment with your appointed auditor.
- 28 The self-assessment questions are structured around the Local Services Inspection Forum generic self-assessment format. The following guidance is intended to help you interpret the value for money key lines of enquiry and how to address the questions in the self-assessment. We have set out in the self-assessment guidance how we will use your self-assessment to make an assessment on value for money. It sets out good practice that, if achieved and supported by evidence, should assist your authority to score well in the value for money assessment. FRAs are invited to self-score their self-assessments.

## Principles

- 29 The key principles that underpin the Audit Commission approach are:
- we will judge value for money from a community-wide perspective rather than that of individual service users;
  - where possible we will look at gross costs as net costs can mask high spending if income is also high. (Although maximising income from charged for services is also relevant when considering overall value for money for the local community in general rather than users of specific services.);
  - costs alone do not reflect value; local context and quality of service need to be taken into account in arriving at value for money judgements;
  - full long-term costs and benefits should be taken into account, not just immediate costs;
  - numerical data on costs and performance provide a starting point for questions, not answers;
  - value for money judgements need to allow for local policy choices (alongside a national policy context) about priorities and standards of service;
  - judgements should address current performance in achieving value for money and how well value for money is managed and improved over time and the extent to which a long-term approach is taken; and
  - judgements should rely primarily on evidence of outcomes achieved and the effectiveness of activity to improve value for money.
- 30 Value for money judgements should be based on evidence of outcomes achieved. Although it is necessary to look at the processes used to deliver and improve value for money, it is their effectiveness that really matters.

## Objectives

- 31 This section will help you to form an overall assessment of value for money based on the two key lines of enquiry as follows:

- 5.1 the FRA currently achieves value for money; and
- 5.2 the FRA manages and improves value for money.

- 32** In addition, there are specific areas of focus in each of these that your self-assessment should consider to help inform the overall assessment. In relation to assessing the FRA's arrangements for managing value for money, auditors will be required to review the arrangements underpinning the annual efficiency statement and to report on an exceptions basis where these are not considered to be sufficiently robust. Accordingly, FRAs are asked to provide auditors with the 2005/06 backward looking efficiency statement as a source of evidence.
- 33** Your auditor will score each key line of enquiry using the descriptors for different levels of performance to determine which most closely matches your FRA's performance. Once the auditor has scored the two key lines of enquiry, they will reach an overall score for value for money theme. The 5.1 KLOE on achieving value for money will hold more weight within the theme score for value for money as it relates more to actions, outcomes achieved and current performance. If, for example, you were scored 2 for key line of enquiry 5.1 and 3 for 5.2, the overall value for money score would be 2.

### **Current achievement of value for money**

- 34** You should demonstrate an understanding of your FRA's costs and how they compare to others, taking account of the local context. The areas of audit focus cover the following:
- costs compare well with others allowing for external factors;
  - costs are commensurate with service delivery, performance and outcomes achieved; and
  - costs reflect policy decisions;
  - Efficient and effective use of resources in the implementation of the IRMP and action plan.
- 35** The self-assessment should provide an overview of how the FRA's costs compare to others. It should identify and explain any areas where costs are out of line. The costs of providing a particular level of service will, however, reflect local circumstances.
- 36** This analysis should not be an over-complicated process that seeks perfect comparisons but a high-level exercise taking an overview of service and corporate costs. It should focus on significant areas of spend and upon FRA priorities. Problems with the consistency, availability and reliability of data mean detailed benchmarking can sometimes become over-complex and unproductive. We do not expect you to look at all costs in great detail, but to focus on those that are most out of line. If most or all costs are significantly adrift in comparison to others, it is likely that there are common reasons and these should be explained. If only some are adrift, focus on these and why this is so and any action the FRA is taking if there are not good reasons for it.

- 37** From 10 August 2006, you will be able to use a 'direction of travel and VfM profile' tool that allows high-level comparisons of spending and performance, based on net costs. This will be available via the Audit Commission website. The tool will assist you in carrying out an initial high-level analysis, and explore the data it contains when completing your self-assessment. You may wish to use additional sources to further support your analysis and explain significant variations in your costs, identified by the high level analysis.
- 38** The self-assessment should demonstrate a clear understanding of costs and show a link between financial resources and strategic priorities. The questions in the KLOE follow a logical sequence designed to take you from costs to value. The following steps will help you.
- Start by knowing broadly the level of the FRA precept (local taxation for county FRAs) and overall expenditure, and then drill down further to what costs are and whether they are higher or lower than other FRAs (using appropriate comparisons, normally per head of population).
  - Secondly show how local external factors affect costs. You would need then to look at unit costs to know whether costs were relatively high or low.
  - Thirdly, show a similar understanding of factors that affect costs that are within the FRAs control. You should demonstrate as appropriate how the FRA has assessed it is achieving best value. Performance and outcomes should be equitable across the whole community. High quality services only available to part of the community are not value for money for those excluded.
  - Finally, the FRA's stated priorities and the local community's needs and requirements may also affect costs so such links should be explained and evidenced. Areas of higher spending and investment should reflect these priorities. Explain where investment in future improvement has been made, increasing short-term spending, if it is not yet showing results. Evidence of local wishes being taken into account should also be provided.
- 39** This sequence allows you to form a judgement about the FRA's current performance in delivering value for money. High quality and high costs might still mean good value is provided, but only if others in similar circumstances do not achieve similar standards at lower costs. Similarly, low quality and low costs would only represent good value if other comparable FRAs are not providing higher standards at similar costs. Whatever the level of relative spending, value for money will not be high where services are not performing well and quality of life outcomes are not improving.
- 40** An important factor when looking at service and corporate costs can be how overheads are accounted for. FRAs are expected to comply with the Best Value Accounting Code of Practice (BVACoP) that gives standard definitions for consistency. An authority-wide view is required of how overheads / support service and corporate costs are actively managed to ensure value for money in both front line and supporting activities, and to ensure maximum resources are available for the front line.

- 41 The FRA should be able to provide evidence of how it has satisfied itself that investment plans are affordable in line with the prudential framework. If historic debt servicing is a factor in relatively high costs, this should be briefly explained and quantified with supporting evidence that options to minimise its impact have been reviewed and appropriate action taken.
- 42 FRAs should also include evidence of the extent to which whole life costing has been considered when making key decisions. For example, when assessing projects that attract time-limited external funding, does the FRA assess not only what resources it will need to devote to supporting the project alongside the external funding, but also what happens when the external money stops? Are costs of acquisition, ongoing running/maintenance costs and cost of disposal/exit considered and does this encompass the wider impact in terms of costs and /or outcomes for the community, including longer-term impacts? Are new spending plans subject to rigorous challenge to ensure they deliver value for money in line with local priorities?
- 43 FRAs should include evidence to show how it has adapted its resource plans and working practices to take account of changes introduced as part of the IRMP process. It should seek to identify clear outcomes from such changes and that these have been successfully embedded.

### **Managing and improving value for money**

- 44 Managing and improving value for money is about whether or not the FRA has good processes, uses them effectively and what impact they have. The areas of focus cover the following arrangements:
  - monitoring and review of value for money;
  - securing improvements in value for money and the achievement of efficiency gains (limited to the last three years); and
  - for procurement and other spending decisions, taking account of full long term costs.
- 45 As important as having good processes, is how focused the FRA (managers and members) is on value for money. FRAs should seek to provide evidence of a 'value for money culture' where opportunities to improve economy, efficiency and effectiveness are constantly sought and pursued, including how value for money is built into thinking, priorities and day-to-day decisions. Value for money should not be seen as just the concern of finance staff rather than service managers. FRAs should demonstrate that information on costs is an integral part of routine performance management, and include examples of any benchmarking that has challenging comparators. Key processes should be described that challenge value for money.
- 46 It is important to demonstrate the extent to which value for money considerations are built into management processes and decision making, including the annual budget setting process and the outcomes arising. Show the impact this has on value for money by providing evidence of improvements that have resulted. Access to services is relevant here – performance and outcomes should be

equitable across the whole community. High-quality services that are only available to part of the community are not value for money for those excluded. Demonstrate how the FRA understands and addresses disparities in relation to its diverse communities. Different approaches work in different situations – what matters here is what works, not compliance with fixed processes.

- 47 Evidence of using targets to improve value for money should also be provided. For example, whether the FRA sets realistic but challenging targets for value for money improvements through procurement and monitors performance against these. Targets might be for lower cost for a specified or higher quality or improved quality at the same cost. Intelligent use of targets requires good understanding of where the scope for improvement lies so a corporate need to achieve X per cent is unlikely to be best delivered by applying X per cent targets to all budgets.
- 48 Completed self-assessments should explain how the FRA applies national efficiency targets locally. For example, are these supplemented with additional local targets and, if so, how are these determined and are they met? Are they targeted at areas with relatively high costs or where there is known scope for efficiency savings? Is the FRA using ICT effectively to achieve efficiency savings and is this part of their corporate strategy and Implementing Electronic Government (IEG) statement? What are the FRA's arrangements for managing the achievement of efficiency gains? From summer 2005 FRAs have to produce an annual statement of how they intend to achieve national efficiency targets and report on the progress made towards this in a backward looking statement. These statements should be made available to the auditor.
- 49 The value for money (VFM) element will complement work completed by FRAs in producing their annual efficiency statements and avoid unnecessary duplication of effort on their part. Auditors will review, as part of the use of resources VFM assessment, the arrangements underpinning the FRA's annual efficiency statements setting out the efficiency gains delivered under the 'Gershon' efficiency review. It is important to note that auditors will not provide any specific assurance on the annual efficiency statement or on the arrangements underpinning it. However, in reporting back to the FRA and to the Commission on the results of your value for money assessment, they will report by exception where they have specific and significant concerns about the process followed by the FRA in compiling the efficiency statement or where the statement is not consistent with their knowledge of the FRA obtained through other audit work. The auditor's overall value for money assessment will, in any case, reflect efficiency gains supported by appropriate evidence and also any concerns.
- 50 Consistently delivering value for money requires good practice to be the norm, rather than the exception. Procurement, when done well, is a key means of improving value for money. The level of interest of members and senior managers and how early they are involved in major procurements is also important. The extent to which procurement practice ensures a 'whole life' approach is taken to look at the full, long-term impact on costs across the public purse and how this is addressed, is also relevant. Full costs should include: costs of acquisition, ongoing running/maintenance costs and cost of disposal/exit.

- 51** The National Procurement Strategy produced by DCLG and the LGA provides an overview of best practice. Excellent procurement is primarily about the appropriate use of procurement as a tool for the effective achievement of corporate and service objectives. Rarely is there one best way. Nonetheless the questions asked in the National Procurement Strategy are a useful guide to the level of expertise and commitment to excellent procurement outcomes in a FRA, and hence the probability of the achievement of such outcomes. The National Procurement Strategy also recommends a strategy to counter the threat to value for money that arises from fraud and corruption, and to maintain ethical standards. Transparency in procurement is important to secure both probity and value for money.
- 52** Evidence should be shown that external investment is used to support the FRA's strategic plan and local priorities, rather than sought opportunistically and resulting in priorities being skewed towards available funding. Show how use of external funding is supported by clear objectives and that these are followed through and the impact evaluated. Explain how any continuing funding commitment after the external funding has finished is planned into the FRA's medium to long-term financial planning from the outset or supported by a robust exit strategy.

## Quality control and review

### Quality control

- 53 The use of resources assessments will be quality controlled to ensure consistency across the country and between audit suppliers.
- 54 Auditors will not be able to share scores with FRAs until the quality control process has taken place. They will, however, be encouraged to be as open and transparent with FRAs as possible within this constraint, in particular making sure that FRAs are aware of areas where there is a lack of evidence and/or a need to improve is identified.

### Scored judgement review procedure

- 55 FRAs have the opportunity to ask the appropriate Audit Commission Regional Director for a review of the Audit Commission's overall use of resources assessment once it is finalised. Details of the review process can be found at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk).

## Timescales

- 56 The following table sets out the timescales for completing the use of resources assessment.

**Table 1 Key dates**

<b>Date</b>	<b>Issue</b>
27 July 2006	Performance Framework published
10 August 2006	Fire and rescue UOR KLOE and guidance published VFM profile tool published with self-assessment guidance for direction of travel and use of resources (VFM theme)
30 September 2006	Auditors complete VFM Conclusion and issue opinion on the accounts
16 October 2006	Deadline for VFM self-assessment completed by authorities
End March 2007	Auditors report theme judgements and the Commission notifies FRAs of their overall score. Scores published in the Annual Audit and Inspection letter and on Commission web-site.

## Fire and rescue use of resources key lines of enquiry

### 1. FINANCIAL REPORTING

How good are the authority's financial accounting and reporting arrangements?

#### Key line of enquiry

1.1 The authority produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers

#### Audit Focus

Evidence that:

- the authority's accounts are compiled in accordance with statutory and professional reporting standards
- the authority's accounts are supported by comprehensive working papers
- the accounts and supporting working papers are prepared and approved in accordance with relevant timetables

#### Criteria for Judgement

Level 2	Level 3	Level 4
<p>* The accounts submitted to the authority for approval were presented fairly and complied in material respects with professional accounting standards and the authority's agreed accounting policies. However, they contained several 'non-trivial' errors.</p> <p>* The auditor received complete, auditable accounts supported by comprehensive working papers to the standard and timetable agreed with the audited body.</p>	<p>* The accounts submitted for audit were presented fairly and contained only a small number of 'non-trivial' errors.</p> <p>* The accounts submitted to the authority/committee meeting at which they were approved were accompanied by an explanatory paper providing interpretation of the accounts and highlighting key issues.</p> <p>* The accounts were subject to robust member scrutiny/discussion prior to</p>	<p>The accounts submitted for audit were presented fairly and contained only errors considered 'clearly trivial'.</p> <p>The quality of the working papers provided at the start of the audit was exemplary.</p>

<b>Criteria for Judgement</b>		
<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
<p><b>* The authority's accounts were prepared and approved in accordance with statutory requirements, statutory / regulatory timetables.</b></p> <p><b>* Guidance was made available to staff on final accounts closedown procedures in advance of year-end, including adequate timetables agreed with the auditor. These were complied with to the extent that no key tasks were omitted and adequate time was left for internal checks prior to member approval.</b></p> <p><b>* The authority ensured that appropriate, knowledgeable and skilled staff were available to deal with external auditors' queries, to substantiate assertions, and to explain items of account.</b></p> <p><b>* The auditor gave an unqualified opinion.</b></p>	<p><b>approval.</b></p> <p>All additional requests from the auditor were responded to promptly in accordance with any agreed deadlines.</p>	

**1. FINANCIAL REPORTING**

How good are the authority’s financial accounting and reporting arrangements?

**Key line of enquiry**

1.2 The authority promotes external accountability

**Audit Focus**

Evidence that:

- the authority publishes its accounts in accordance with statutory requirements
- the authority publishes summary accounts/annual report in a way that is accessible to the public

**Criteria for Judgement**

Level 2	Level 3	Level 4
<p><b>* The authority publishes its accounts and publicises how local electors can exercise their rights, in accordance with the requirements of the Accounts &amp; Audit Regulations 2003.</b></p> <p><b>* The authority publishes the annual audit letter in accordance with the requirements of the Accounts &amp; Audit Regulations 2003.</b></p> <p><b>* The agenda, reports and minutes for meetings of full authority, committees and scrutiny panels are made available to the public (for example on the authority’s website) on a timely basis.</b></p>	<p><b>* The most recent published accounts, in either full or summary format, are available on the authority’s website.</b></p> <p><b>* The most recent published annual audit letter is available on the authority’s website.</b></p> <p>The authority publishes summary financial information that meets the needs of a range of stakeholders.</p>	<p>The authority publishes an annual report or similar document (such as a financial summary within the Best Value Performance Plan (BVPP)) which includes summary accounts and an explanation of key financial information/technical terms designed to be understandable by members of the public.</p> <p>The annual report or similar document is available in a wide variety of forms to meet local user needs (e.g. different languages, large print, speaking version).</p>

**2. FINANCIAL MANAGEMENT**

How well does the authority plan and manage its finances?

**Key line of enquiry**

2.1 The authority’s medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities

**Audit Focus**

Evidence that:

- the authority’s corporate business plan (that sets out its aims and objectives) is linked to its financial planning and management
- the authority’s budgets and capital programme are based on robust medium-term financial projections and risk assessments

**Criteria for Judgement**

Level 2	Level 3	Level 4
<p>* <b>The authority has put in place a medium-term (three year) financial strategy which is linked to its key strategic objectives, and takes account of both local improvement priorities and national priorities, including the requirements of the efficiency agenda set out in FSC 8/2005.</b></p> <p>* <b>The medium term financial strategy models income and expenditure over a minimum of 3 years and is reviewed and updated at least annually.</b></p> <p>* <b>A comprehensive and balanced revenue budget has been set, based on realistic projections about pay, inflation, and known service and</b></p>	<p>* <b>The authority’s medium-term financial strategy is linked to other internal strategies/plans as appropriate, such as human resources, IT, Integrated Risk Management Plan (IRMP), BVPP.</b></p> <p>* <b>Business planning is integrated with financial planning and drives the medium-term financial strategy and internal resource allocation, with changes in allocations determined in accordance with policies and priorities.</b></p> <p>Key messages from the authority's medium-term financial strategy are communicated to staff and stakeholders</p>	<p>The medium-term financial strategy describes in financial terms joint plans agreed with partners and other stakeholders.</p> <p>The medium-term financial strategy models balances and resource requirements over a minimum of 3 years.</p> <p>The authority identifies future developments that may impact on its financial management arrangements and proactively manages them.</p> <p>The authority monitors and can demonstrate how its financial plans and strategies have contributed to the achievement of its corporate objectives.</p>

<b>Criteria for Judgement</b>		
<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
<p>capital development plans.</p> <p><b>* Budget holders are involved in the budget setting process and budgets are reviewed by senior officers and members before approval.</b></p> <p><b>* Budgets are revised annually in light of the reasons for and consequences of the previous year's outturn and are linked to the medium-term financial strategy.</b></p> <p><b>* The budget reported to members includes a positive assurance statement from the chief finance officer about the robustness of estimates made for the purposes of the budget calculations, in accordance with the requirements of section 25 of the LG Act 2003.</b></p> <p><b>* An affordable capital programme has been agreed and the current and future funding of this is built into revenue planning.</b></p> <p><b>* Prudential indicators are applied in assessing the affordability of capital projects.</b></p>	<p>as appropriate.</p> <p><b>* Budgets are linked to:</b></p> <ul style="list-style-type: none"> <li>• <b>the medium-term financial strategy and high level budgets for future years within it</b></li> <li>• <b>corporate business plans and IRMP</b></li> <li>• <b>risk assessments of material items of revenue and capital income and expenditure, incorporating lessons learned from previous years.</b></li> </ul> <p>The corporate business plan and / or IRMP projects forward at least three years and takes account of each of the following:</p> <ul style="list-style-type: none"> <li>• stakeholder and partner consultation</li> <li>• external drivers, including funding and requirements to improve efficiency</li> <li>• major capital investment plans and their revenue implications</li> <li>• risk assessments and financial contingency planning</li> <li>• sensitivity analysis</li> <li>• expected developments in services.</li> </ul> <p>The authority regularly reviews financial</p>	

<b>Criteria for Judgement</b>		
<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
<p><b>* The financing of expenditure is transparently explained in budget summaries and reports for Members.</b></p> <p><b>* Each capital and revenue budget is assigned to the individual manager best able to use and control it.</b></p> <p>The authority undertakes cash-flow monitoring, which is used to inform short and long-term investment decisions.</p>	<p>management arrangements to ensure that they remain 'fit for purpose' and keeps the financial services function under review to consider capacity, resourcing and training needs.</p> <p><b>* There are project appraisals, business plans and affordability tests for new policy and capital developments.</b></p>	

**2. FINANCIAL MANAGEMENT**

How well does the authority plan and manage its finances?

**Key line of enquiry**

2.2 The authority manages performance against budgets

**Audit Focus**

Evidence that:

- the authority has arrangements in place for monitoring performance against budgets, taking corrective action where appropriate, and reporting the results to senior officers and members
- the authority's financial information systems meet users' needs

**Criteria for Judgement**

Level 2	Level 3	Level 4
<p><b>* Budgets are approved by the authority before the start of the year and monitored regularly throughout the year.</b></p> <p><b>* Performance against budgets is monitored monthly by the senior management team and at appropriate intervals by the authority.</b></p> <p><b>* Where any significant overspends have occurred, actions have been taken to minimise the impact on service delivery.</b></p> <p><b>* Relevant non-financial and financial information, in addition to the budget, is reported to and used by senior</b></p>	<p><b>* The authority uses agreed processes to adjust and approve budgets in year if major programmes are varied by more than pre-set tolerances.</b></p> <p><b>* The authority's budget monitoring is:</b></p> <ul style="list-style-type: none"> <li>• <b>predictive rather than backward looking</b></li> <li>• <b>focused on large, high risk or volatile budgets</b></li> <li>• <b>related to operational activity indicators that are lead indicators of spend and</b></li> <li>• <b>informed by a risk assessment.</b></li> </ul> <p><b>* Relevant non-financial and financial information, in addition to the budget,</b></p>	<p>There is a 'traffic light' system (or similar) in place to focus members on key variances, and there is evidence that these are acted upon.</p> <p>Members receive accrued financial monitoring reports at appropriate key points during the year including significant revenue account items and balances.</p> <p>The authority has reviewed the effectiveness and leadership it provides with regard to financial management and developed a tailored training programme to address areas of weakness.</p> <p>The authority consults with, advises and trains users so that it develops and</p>

<b>Criteria for Judgement</b>		
<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
<p><b>officers.</b></p> <p><b>* The senior management team is adequately supported with financial advice by a suitably qualified finance section either in-house or through a service level agreement / contract.</b></p> <p><b>* The authority regularly tests its financial systems to ensure that their processes are secure.</b></p> <p><b>* The budget shows the resources allocated to major spending activities and programmes, with user-friendly summaries, and separate identification of revenue and capital items to ensure focus on use of resources.</b></p> <p><b>* The authority receives budget monitoring information that is accurate, relevant, understandable and consistent with underlying records. Data is as up to date as possible when reported.</b></p> <p><b>* There is a formal scheme of budget delegation.</b></p> <p><b>* There is guidance available to budget</b></p>	<p><b>is reported to members and acted upon.</b></p> <p>There is a regular training programme providing training on financial issues for members and appropriate non-finance staff.</p> <p>The authority produces accurate, meaningful profiled financial monitoring reports for all budget holders within ten working days of the month end.</p> <p>The authority's financial information systems have flexible reporting tools to enable specialist reports to be designed.</p>	<p>provides the financial information systems to meet their needs.</p> <p>The authority ensures through regular testing of its financial systems that the report outputs are timely, accurate, reliable, clear, in a convenient format (hard copy and online, in summary and in detail, as appropriate) and readily understood by their recipients.</p> <p>Savings and efficiency gains are profiled over the year and there is monitoring throughout the period by members to ensure their achievement.</p>

<b>Criteria for Judgement</b>		
<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
<p>holders which includes a description of their responsibilities, an outline of the budget process and a budget process timetable.</p> <p><b>* Budgets are input to the main accounting system on a timely basis, at an appropriate level of detail.</b></p> <p><b>* Action plans are developed when a material variance arises or a deficit is forecast.</b></p> <p>The financial performance of significant partnerships, including monitoring contributions to RMB work-streams, is regularly reviewed, linked to outputs and the results shared with partners and acted upon.</p>		

**2. FINANCIAL MANAGEMENT**

How well does the authority plan and manage its finances?

Key line of enquiry

2.3 The authority manages its asset base

**Audit Focus**

Evidence that:

- the authority has a capital strategy and fixed asset management plan
- the authority reports to members on asset management

**Criteria for Judgement**

Level 2	Level 3	Level 4
<p><b>* The authority has an up to date corporate capital strategy linked to its IRMP and medium-term financial strategy.</b></p> <p><b>* The authority has an up to date asset management plan that details the existing asset management arrangements and outcomes and plans action to improve corporate asset use.</b></p> <p><b>* The authority’s arrangements for reporting to members are sufficient to ensure that they fulfil their responsibility in relation to the authority’s land and buildings portfolio at both a strategic and service level.</b></p> <p><b>* Responsibility for asset management</b></p>	<p><b>* The authority makes capital investment and disposal decisions based on thorough option appraisal and whole life costing.</b></p> <p><b>* Members are aware of the assessed level of backlog maintenance and have approved a plan to address it as appropriate.</b></p> <p>The authority has developed a set of local performance measures in relation to assets that evaluate asset use in relation to corporate objectives.</p>	<p>The authority has developed an approach for the co-ordination of asset management information and its integration with relevant organisational financial information.</p> <p>Performance measures and benchmarking are being used to describe and evaluate how the authority’s asset base contributes to the achievement of corporate objectives and improvement opportunities.</p> <p>The results of performance measurement and benchmarking are communicated to stakeholders where relevant.</p>

<b>Criteria for Judgement</b>		
<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
<p><b>is clearly defined and understood by the authority.</b></p> <p><b>* The authority maintains an up to date asset register.</b></p> <p><b>* The authority's capital programme gives priority to potential capital projects based on a formal, objective approval process.</b></p> <p>The authority has an annual programme of planned maintenance based on a rolling programme of property condition surveys.</p>		

**3. FINANCIAL STANDING**

How well does the authority safeguard its financial standing?

Key line of enquiry

3.1 The authority manages its spending within the available resources

**Audit Focus**

Evidence that:

- the authority is financially sound
- the authority manages its levels of reserves and balances
- current spending plans match available resources

**Criteria for Judgement**

Level 2	Level 3	Level 4
<p><b>* The authority has maintained overall spending within budget and where unexpected pressures have arisen they have been managed without adverse effect on the achievement of key priorities.</b></p> <p><b>* The authority has a policy on the level and nature of reserves and balances it needs that has been approved by members and reflected in the budget and medium-term financial strategy.</b></p> <p><b>* The authority sets a balanced budget within its Medium Term Financial Strategy that takes account of cost pressures and the impact on precept</b></p>	<p><b>* The authority has consistently maintained its spending within its overall budget in the last 3 years.</b></p> <p><b>* The authority has a policy for reserves and balances that is based on a thorough understanding of its needs and risks and is properly and clearly reported to members.</b></p>	<p>Members monitor key financial health indicators and set challenging targets, for example levels of variances from budget, prudential framework indicators and capital programme management. There is a good track record of achieving these targets.</p> <p>Where target levels of reserves and balances are exceeded the authority has identified and reported to members the opportunity costs of maintaining these levels and compared these to the benefits it accrues.</p>

<b>Criteria for Judgement</b>		
<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
<p><b>requirement and minimises the risk of council tax capping.</b></p> <p><b>* The authority monitors and maintains its levels of reserves and balances within the range determined by its agreed policy.</b></p> <p><b>* The budget reported to members includes a positive assurance statement from the chief finance officer about the adequacy of the proposed financial reserves, in accordance with the requirements of section 25 of the LG Act 2003.</b></p> <p><b>* The authority monitors the budget and underlying assumptions throughout the year and takes appropriate action to deal with any deterioration in the financial position, in accordance with the requirements of section 28 of the LG Act 2003.</b></p> <p><b>* The authority has a treasury management strategy that reflects the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services.</b></p>		

<b>Criteria for Judgement</b>		
<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
<p><b>* The authority has made appropriate provision in its medium term financial strategy to manage the impact of significant future events such as adjustments for the return of transitional funding in 2006/2007 and 2007/2008.</b></p>		

**4. INTERNAL CONTROL**

How well does the authority’s internal control environment enable it to manage its significant business risks?

**Key line of enquiry**

4.1 The authority manages its significant business risks

**Audit Focus**

Evidence that:

- the authority has a risk management process in place
- the risk management system covers partnership working

**Criteria for Judgement**

Level 2	Level 3	Level 4
<p><b>* The authority has adopted a business risk management strategy/policy that has been approved by members.</b></p> <p><b>* The business risk management process requires the authority to:</b></p> <ul style="list-style-type: none"> <li>• identify corporate and operational risks</li> <li>• assess the risks for likelihood and impact</li> <li>• identify mitigating controls</li> <li>• allocate responsibility for the mitigating controls.</li> </ul> <p><b>* Member responsibility for corporate risk management is identified in the terms of reference of one or more committees as appropriate.</b></p>	<p><b>* The business risk management process is reviewed and updated at least annually.</b></p> <p><b>* The business risk management process specifically identifies risks in relation to partnerships, such as RMB work-streams, and provides for assurances to be obtained about the management of those risks.</b></p> <p><b>* The members and officers with specific responsibility for business risk management have received risk management awareness training.</b></p> <p><b>* There is evidence of appropriate member engagement in business risk management including monitoring and</b></p>	<p>The authority can demonstrate that it has embedded business risk management in its corporate business processes, including:</p> <ul style="list-style-type: none"> <li>• strategic planning</li> <li>• financial planning</li> <li>• policy making and review</li> <li>• performance management</li> </ul> <p>The business risk management process considers positive risks (opportunities) as well as negative risks (threats).</p> <p>All members and senior officers receive business risk management awareness training.</p>

<b>Criteria for Judgement</b>		
<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
<p><b>* The authority maintains and reviews a register of its corporate business risks linking them to strategic business objectives and assigning ownership for each risk.</b></p> <p><b>* The IRMP is supported by an annual SMART action plan that is subject to appropriate consultation before it is finalised, published and implemented.</b></p> <p><b>* There is a formal business continuity plan, emergency plan and community risk register in accordance with the Civil Contingencies Act.</b></p> <p><b>* Reports to support strategic policy decisions, and project initiation documents, include a risk assessment.</b></p>	<p><b>review of the risk register.</b></p> <p><b>* The IRMP action plan is based on a thorough analysis of risk maps and 'what-if modelling' using appropriate software (FSEC, BLUE 8 etc...) that has been fully populated and validated.</b></p> <p><b>* A formal assessment of compliance with the Civil Contingencies Act has been undertaken and reported to members with remedial action agreed to address residual risks.</b></p>	<p>Responsibility for risk management is at senior management team level and a specific member is designated as the authority's risk champion.</p>

**4. INTERNAL CONTROL**

How well does the authority’s internal control environment enable it to manage its significant business risks?

**Key line of enquiry**

4.2 The authority has arrangements in place to maintain a sound system of internal control

**Audit Focus**

Evidence that:

- the authority reviews and reports on its system of internal control
- the authority has an audit committee or equivalent and an internal audit function

**Criteria for Judgement**

Level 2	Level 3	Level 4
<p><b>* The authority has an internal audit function that operates in accordance with the CIPFA code of practice for internal audit in local government.</b></p> <p><b>* An appropriate member group has responsibility for review and approval of the statement on internal control (SIC) and supporting sources of assurance and considers the SIC separately from the accounts.</b></p> <p><b>* The authority has conducted an annual review of the effectiveness of the system of internal control and reported on this in the SIC.</b></p> <p><b>* The core functions of an audit committee, as identified in the CIPFA</b></p>	<p><b>* The authority has put in place an assurance framework that maps the authority’s strategic objectives to risks, controls and assurances.</b></p> <p>The authority can demonstrate that it is effectively delivering the core functions of an audit committee, as identified in the CIPFA guidance; that it provides challenge to the authority when required and provides for effective leadership on governance, financial reporting and audit issues.</p> <p>Compliance with standing orders, standing financial Instructions and the scheme of delegation is monitored by management, and any breaches identified and appropriate action taken. The</p>	<p>The authority can demonstrate corporate involvement in / ownership of the process for preparing the SIC.</p> <p>The assurance framework is fully embedded in the authority’s business processes.</p> <p>An audit committee has been established with terms of reference that are consistent with CIPFA’s guidance. It provides effective challenge across the authority and independent assurance on the risk management framework and associated internal control environment to members and the public, and can demonstrate the impact of its work.</p> <p>The standing orders, standing financial</p>

<b>Criteria for Judgement</b>		
<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
<p><b>guidance, are being undertaken by members.</b></p> <p><b>* There are standing orders, standing financial instructions and a scheme of delegation in place.</b></p> <p><b>* There are action plans in place to address any significant internal control issues reported in the SIC.</b></p> <p><b>* There are procedure notes/manuals in place for key financial systems.</b></p> <p><b>* The authority has arrangements in place to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.</b></p> <p><b>* All reports to members are considered for legal issues by the monitoring officer before presentation.</b></p> <p><b>* The roles of each of the statutory officers (Section 151 Officer and Monitoring Officer) are clearly defined.</b></p> <p>The authority has arrangements in place to ensure that it has a sound system of</p>	<p>standing orders, standing financial instructions and scheme of delegation are reviewed and updated as appropriate.</p> <p>The procedure notes/manuals for key financial systems are reviewed and updated as appropriate.</p> <p>The impact of major new legislation has been separately reported to Members.</p>	<p>instructions and scheme of delegation make specific reference to partnerships.</p> <p>Governance arrangements in respect of partnership arrangements are effective and subject to regular review and updating.</p>

<b>Criteria for Judgement</b>		
<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
<p>internal financial control, for example carrying out regular bank reconciliations and reconciliations of major feeder systems.</p> <p>The authority has identified its significant partnership arrangements and has appropriate governance arrangements in place for each of them.</p>		

**4. INTERNAL CONTROL**

How well does the authority’s internal control environment enable it to manage its significant business risks?

**Key line of enquiry**

4.3 The authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business

**Audit Focus**

Evidence that:

- the authority has adopted codes of conduct and monitors compliance
- the authority’s arrangements to prevent and detect fraud and corruption are effective

**Criteria for Judgement**

Level 2	Level 3	Level 4
<p>* The authority has formally adopted a code of conduct for members, which includes the mandatory provisions of the statutory Model Code of Conduct. All elected and co-opted members have signed up to the code of conduct.</p> <p>* There is a counter fraud and corruption policy applying to all aspects of the authority’s business which has been communicated throughout the authority.</p> <p>* The authority has arrangements in place to receive and investigate allegations of breaches of proper standards of financial conduct, and of fraud and corruption.</p>	<p>* The authority has undertaken an assessment of standards of conduct, including how effectively members are complying with the code of conduct, the number and types of complaints received, and takes action as appropriate.</p> <p>* A strong counter fraud culture is supported and promoted by members and senior officers, as evidenced by proactive counter fraud and corruption work, which is determined by a formal risk assessment and adequately resourced.</p> <p>* Investigations into allegations of fraud and corruption are conducted in</p>	<p>The authority can demonstrate that its members and staff exhibit high standards of personal conduct.</p> <p>The authority can demonstrate a strong counter fraud culture throughout the organisation. Staff have clearly acknowledged and accepted their responsibility to prevent and detect fraud and corruption and successful cases of proven fraud/corruption are routinely publicised to all staff.</p> <p>The risk of fraud and corruption is specifically considered in the authority’s overall business risk management process.</p>

<b>Criteria for Judgement</b>		
<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
<p><b>* There is a whistle-blowing policy which has been communicated to staff and those parties contracting with the authority.</b></p> <p><b>* The authority has provided the required data for the National Fraud Initiative (NFI), has notified data subjects of this use of data, and has established a process to follow-up NFI data matches.</b></p> <p><b>* The authority has put in place arrangements for monitoring compliance with standards of conduct across the authority including: register of interests register of gifts and hospitality complaints procedure.</b></p> <p><b>* The standards committee's membership and functions are in accordance with the requirements of the Local Government Act 2000.</b></p> <p><b>* The authority has adopted a code of conduct for staff.</b></p>	<p><b>accordance with statutory requirements, e.g. Police and Criminal Evidence Act, Regulation of Investigatory Powers Act, Data Protection Act, by appropriately trained staff.</b></p> <p><b>* The whistle-blowing policy demonstrates the authority's commitment to providing support to whistleblowers.</b></p> <p>The authority has effectively identified the key NFI data matches for review from all levels of reports (high, medium and low). The authority works with other bodies, such as DWP, when following-up data matches from NFI. Risks are followed-up promptly to prevent prolonged exposure. Weaknesses revealed by instances of proven fraud and corruption, including NFI data matches, are reviewed to ensure that appropriate action is taken to strengthen internal control arrangements.</p> <p><b>* Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and pecuniary interests. There is evidence that members and staff are making</b></p>	<p>The authority has a track record for effective action in response to whistle-blowing disclosures. There are periodic reviews of the effectiveness of the whistle-blowing arrangements, and there are effective arrangements for receiving and acting upon disclosures from members of the public.</p>

<b>Criteria for Judgement</b>		
<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
	<p><b>appropriate disclosures in the registers and that they are regularly reviewed.</b></p> <p><b>* The standards committee has met regularly with an appropriate agenda.</b></p> <p>The authority is proactive in raising the standards of ethical conduct amongst members and staff, including the provision of ethics training.</p>	

**5. VALUE FOR MONEY**

Value for money

Key line of enquiry

5.1 The authority currently achieves good value for money

**Audit Focus**

Evidence that:

- Costs compare well with others allowing for external factors
- Costs are commensurate with service delivery, performance and outcomes achieved
- Costs reflect policy decisions
- Efficient and effective use of resources in the implementation of the IRMP and action plan, including using more efficient working practices where appropriate

**Criteria for judgement/descriptors**

Level 2	Level 3	Level 4
<p>Overall costs and unit costs for key services are not significantly higher than other authorities providing similar levels and standards of services, allowing for the local context.</p> <p>There is a positive relationship between costs and the range, level and quality of the service provided, including overheads and capital costs.</p>	<p>Overall cost and unit costs for the service demonstrate best value compared to other authorities providing a similar level and standard of service and allowing for the local context.</p> <p>The authority ensures that a range of quality services is delivered appropriate to statutory duties and local needs, whilst maintaining relatively low overall costs including overheads and capital.</p>	<p>High performance is achieved whilst costs demonstrate best value compared to others.</p> <p>The authority ensures that the range of services delivered effectively addresses statutory duties and local needs, and are delivered to high quality standards. Overall spending, including overheads and capital, consistently demonstrates best value from resources.</p>

<b>Criteria for judgement/descriptors</b>		
<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
<p>Significant unintended high spending is identified and there are plans in place to address it.</p> <p>Areas of higher/increasing spending are in line with stated priorities.</p> <p>The authority has made appropriate changes in the redeployment of staff and resources, and introduced changes in working practices through the IRMP (including retained duty staff).</p> <p>There is an effective balance in the funding and resources provided for intervention and community fire safety.</p> <p>The authority has arrangements in place to measure outcomes through partnership activities.</p>	<p>Unintended high spending is identified and is being addressed.</p> <p>Areas of higher/increasing spending are in line with stated priorities and the investment results in an improved service.</p> <p>Appropriate changes in the redeployment of staff and resources have improved costs and service provision.</p> <p>The funding and resources provided for community fire safety are resulting in effective outcomes.</p> <p>The authority has a well managed approach to partnership activities which is linked to priorities, demonstrating effective outcomes through these activities. Where applicable, the authority is playing an active role in the pursuit of shared priorities in planning for the Local Area Agreement.</p>	<p>The authority can demonstrate a track record for effectively addressing areas of unintended high spending and emerging areas of budgetary pressure.</p> <p>There is a sustained track record of investment leading to improved outcomes and sustainable efficiency gains. New investment is supported by clear targets and timescales for measuring improvement.</p> <p>Clear outcomes can be demonstrated from the redeployment of staff and resources and these changes have been successfully embedded.</p> <p>Significant improvement in performance can be demonstrated from the effective targeting of community fire safety work.</p> <p>The authority can demonstrate that it evaluates the benefits from partnership activities and that these are commensurate with the cost.</p>

<b>Criteria for judgement/descriptors</b>		
<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
The authority has a well managed capital programme linked to priorities, with projects usually completed on time and on budget.	The authority has a well managed capital programme linked to priorities, with most projects completed on time and within budget.	The authority can demonstrate that it evaluates the outcomes from its capital programme in accordance with objectives. Where capital resources are invested, there are identifiable improvements in service delivery.

**5 VALUE FOR MONEY**

Value for money

**Key line of enquiry**

5.2 The authority manages and improves value for money

**Audit Focus**

Evidence that:

- The authority monitors and reviews value for money
- The authority has improved value for money and achieved efficiency gains (limited to the last three years)
- Procurement and other spending decisions take account of full long term costs

**Criteria for judgement/descriptors**

Level 2	Level 3	Level 4
<p>There is some information on costs and how these compare to others and to the quality of the service but this is not fully understood. Managers use information to review value for money and report to members.</p>	<p>There is clear information on costs and how these compare to others and to the quality of the service achieved currently and over time. Members and managers routinely use this information to review and challenge value for money throughout the service and corporately.</p>	<p>The authority has a track record of using high quality information and benchmarking on costs and quality to actively manage performance, improve value for money and target resources. Members and managers actively use this information to review and challenge value for money throughout the service and corporately.</p>
<p>The information on costs and quality of service includes information on equity</p>	<p>The authority understands the full short and long-term costs of its actions and takes account of these when making decisions.</p> <p>Information on equity is actively used to promote access to services and value for</p>	<p>The authority has detailed information on the full short and long-term costs of its actions and takes account of these when making decisions. All policy proposals have in built cost analyses.</p>
		<p>The authority can demonstrate that there is equity in access to services across the</p>

<b>Criteria for judgement/descriptors</b>		
<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
<p>across the whole community.</p> <p>Members and senior managers identify and pursue opportunities to manage and reduce costs or improve quality within existing costs. Consideration is given to the likely impact on the local community of changes in spending levels.</p> <p>Processes for reviewing and improving value for money are in place and have led to some improvements in value for money.</p> <p>Targets are set and applied to improve efficiency and value for money.</p>	<p>money across the whole community.</p> <p>Achieving and improving value for money is being embedded in the authority's culture, for example, through the performance appraisal system.</p> <p>Members, senior managers and service managers seek to manage costs alongside quality of the service and responding to local needs. The impact on the local community is assessed to ensure that costs are not simply cuts without regard to outcomes.</p> <p>The scope for improving cost-effectiveness is kept under review and scrutiny. There are clear policies and effective processes for reviewing and improving value for money. Internal reviews are targeted at high cost aspects of the service and have led to improved value for money.</p> <p>There is clear evidence that the authority sets and achieves ambitious targets to improve efficiency and value for money corporately and in the service. Targets are used 'intelligently' to reflect potential for</p>	<p>community.</p> <p>Achieving and improving value for money is integral to the authority's performance management arrangements, resulting in high levels of understanding and awareness across the organisation.</p> <p>There is strong track record of managing costs alongside quality of the service and responding to local needs. The impact on the local community is assessed and then tracked to ensure that costs are not simply cuts without regard to outcomes.</p> <p>Innovative approaches for improving cost-effectiveness are used where appropriate and have achieved significant improvements in value for money.</p> <p>The authority has a sustained track record of driving improvements in services and value for money through effective use of targets.</p>

<b>Criteria for judgement/descriptors</b>		
<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
<p>The authority has produced and is delivering on an efficiency plan to contribute towards achievement of the national target over the three year period to 2007/08. This includes identification of efficiency savings through regional collaboration.</p> <p>Procurement decisions are not based solely on lowest cost options but reflect the best combination of cost and quality and support the arrangements set out in the national procurement strategy.</p> <p>Internal reviews are carried out (in line with Best Value legislation) and achieve significant improvements in value for money.</p> <p>The authority through its Regional Management Board has drawn up a regional strategy for HR and has reviewed its use of resources ensuring value for money in the delivery of training.</p>	<p>improvement.</p> <p>The authority has produced and is delivering on an efficiency plan to achieve its planned efficiencies which include cashable savings.</p> <p>Procurement decisions seek to achieve the greatest benefit to the wider community, for example securing additional health or environmental benefits.</p> <p>Significant and identifiable savings have been achieved through procurement and internal reviews without unintended loss of quality (or quality increased at no extra cost).</p> <p>The authority through its Regional Management Board has drawn up a regional strategy for HR and reviewed the delivery of training to identify and implement the most efficient and effective means of delivery for the region.</p>	<p>The authority has integrated efficiency review into its performance management and is exceeding its own targets for achieving efficiencies that make a significant contribution to the national target.</p> <p>Significant community benefits have been delivered through joint analysis of local needs, planning and procurement with key partners. This includes the demonstration of significant benefits through the authority's support of the national procurement strategy.</p> <p>Systematic review and option appraisal has covered all major functions and the findings are acted upon, leading to significant improvements in services and value for money.</p> <p>The authority through its Regional Management Board has drawn up regional strategies which are delivering value for money and improvements in HR and the delivery of training.</p>

<b>Criteria for judgement/descriptors</b>		
<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>
<p>Investment is made in under-performing services to secure future improvements in value for money.</p> <p>External funding is sought where appropriate to support local priorities and capacity building bids have been effectively pursued where appropriate to its improvement plan.</p>	<p>Investment is targeted at improving value for money in the longer term. Past investment has resulted in demonstrable improvements in value for money.</p> <p>There is a strategic approach to seeking external funding to support local priorities and the authority has a successful track record of securing external funding and using it to deliver required outcomes and increased value for local people. Where appropriate, capacity building bids have been accepted.</p>	<p>Significant areas of previous under-performance have been addressed and, where there has been investment, sustained improvements in value for money have been delivered.</p> <p>External funding has been successfully used to address local priorities resulting in sustained improvements and greater long-term value for money.</p>