

TRANSPORT FOR LONDON

AUDIT COMMITTEE

SUBJECT: AUDIT COMMISSION UPDATE

DATE: 3 MARCH 2009

1 PURPOSE AND DECISION REQUIRED

1.1 The purpose of this paper is to advise the Committee of the Audit Commission's proposals for the implementation of Comprehensive Area Assessment in TfL. The Committee is requested to note the paper and to provide comments on the Commission's proposals.

2 BACKGROUND

2.1 Local authorities have historically been subject to the Comprehensive Performance Assessment (CPA) by the Audit Commission. The GLA Group (including TfL) was subject to a modified version of this assessment process known as the Initial Performance Assessment (IPA).

2.2 Since the initial assessment, the annual assessment process has involved a Use of Resources exercise carried out by the Appointed Auditor (which is scored) and a Direction of Travel assessment by the Commission itself (which is not scored). The current Use of Resources exercise covers five themes as follows:

- (a) Financial reporting (including the preparation of TfL's accounts and the way these are presented to the public);
- (b) Financial management (including how financial management is integrated with strategy to support TfL's priorities);
- (c) Financial standing (including the strength of TfL's financial position);
- (d) Internal control (including how effectively TfL maintains proper stewardship and control of its finances); and
- (e) Value for money (including an assessment of how well TfL balances the costs and quality of services).

2.3 The Audit Commission is adopting a new framework for the independent assessment of local public services in England known as Comprehensive Area Assessment (CAA). This framework is described in Appendix 1, which also sets out the Commission's proposals for how CAA should be applied to the GLA Group, including TfL. The principal differences from the existing arrangements are the broadening of the scope of the Use of Resources assessment to non-financial activities through the adoption of a new set of themes (Managing finances, Governing the business, Managing resources, Managing performance) and the scoring of the overall organisational assessment.

3 RECOMMENDATION

- 3.1 The Audit Committee is asked to NOTE the contents of this paper and to provide comments on the Audit Commission's proposals for the implementation of CAA in the GLA Group.

4 CONTACT

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GREATER LONDON AUTHORITY GROUP

Purpose of report

- 1 To seek the views of the Greater London Authority (GLA), London Development Agency (LDA) and Transport for London (TfL) on the implementation of Comprehensive Area Assessment for these organisations. The focus is on the Organisational Assessment, but also refers to how it relates to the Area Assessments that are taking place across London. It also seeks the views of these authorities and the Metropolitan Police Authority (MPA) and London Fire and Emergency Planning Authority on whether there should be annual studies on areas of interest to Londoners. This paper sets out proposals for consideration.

Introduction

- 2 Comprehensive Area Assessment (CAA) is the new framework for the independent assessment of local public services in England starting from April this year. It replaces Comprehensive Performance Assessment (CPA) as the regulatory regime for local government. For the GLA group it replaces the Initial Performance Assessment (IPA). CAA has been jointly developed by OFSTED, CSCI, HMI Constabulary, HMI Prisons, HMI Probation and Healthcare Commission along with the Audit Commission.
- 3 CAA represents a fundamental change in the approach to inspection, reflecting the changes in local public services in recent years and in the environment in which they work. Since 2002, the performance of local public bodies has improved and they are increasingly working together to deliver further improvements. Independent assessments have been a catalyst for, as well as providing objective evidence of, this improvement. Local services have developed stronger performance management, more effective sharing of good practice and practical support for services in difficulty.
- 4 CAA is part of a new performance framework that is area based and focused on outcomes delivered by councils working alone or in partnership. It is designed to be more proportionate than previous frameworks and to be aligned with performance frameworks in other local service sectors. By bringing together evidence across different local services, CAA will be more effective in driving improvement than separate assessments for each sector can be. In London we will need to work more closely with the GLA group to ensure that we take account of how the 33 areas work with the group and vice versa.
- 5 CAA will have two main elements, which will inform each other.
 - an area assessment that looks at how well local public services are delivering better results for local people in agreed priorities, such as health, economic prospects and community safety, and how likely they are to improve in the future; and
 - organisational assessments for councils, combining the external auditor's assessment of value for money with a joint inspectorate assessment of council service performance.

- 6 CAA will impact in different ways on the GLA group. For example, arrangements for organisational assessments or equivalents are being developed for Fire and Rescue Authorities and Police Authorities separately that will cover LFEPA and MPA respectively. The following two sections outline our proposals on the implementation of CAA for the GLA group. The section on area assessments covers all the GLA group. The section on organisational assessments covers the GLA, LDA and TfL.

Area Assessment

- 7 Area assessments will take place for each of the 33 London local authorities. It is not proposed to carry out an area assessment at the regional level. We do not believe that it will be meaningful to assess an area as large as London. However, there is a great deal of knowledge held by the GLA group that would help us to understand how well local services are being provided in areas. We will also be in a position to share information with the GLA group that should increase their understanding of how well an area is performing.
- 8 It would be useful therefore to agree methods of sharing information between the GLA group and the Commission. A key point of contact in each of the organisations would help this process.
- 9 Although not carrying out an area assessment for London we believe that it would be useful to provide an annual update on particular issues. This could take the form of a study that sets out what is being sought at the regional level, or sub regional level, such as Thames Gateway, and what is being achieved in local areas. It would draw on our findings at local level. Issues that could be covered include health inequalities, environmental sustainability etc.
- 10 We would welcome your view on the issues of most interest to Londoners and how we could work together to produce them.

Organisational Assessments

- 11 It is proposed that we carry out an organisational assessment for the GLA so far as it exercises its functions through the Mayor, LDA and TfL under section 10 of the Local Government Act 1999. For councils, the organisational assessment will combine use of resources and managing performance themes into a combined assessment of organisational effectiveness scored on a scale from 1 (lowest) to 4 (highest). We propose the same for these GLA group bodies.
- 12 This is a change from the current arrangements for the GLA, LDA and TfL. Currently the use of resources judgement is scored and the direction of travel is not scored. This is a similar arrangement to the one that applies for district councils. Under the new arrangements all types of councils will have their organisational assessments scored.
- 13 In May 2008, we published details of the use of resources assessments to be made in 2009 (include link). An update in February 2009 incorporates the scoring arrangements following last year's consultation. This sets out how the work of appointed auditors under the statutory Code of Audit Practice will be translated into a scored use of resources assessment. The approach taken

will be similar across councils, primary care trusts, police and fire and rescue services. It is based on key lines of enquiry assessed across three themes:

- Managing finances
- Governing the business
- Managing resources

14 The effectiveness of each council will be assessed on how well each organisation delivers value for money in the use of resources and how well it manages its performance. We will publish a single short report that includes an overall score for each organisation. We propose to do the same for the GLA, LDA and TfL.

Organisational assessment for the GLA, LDA and TfL	
Theme	Key Lines of Enquiry
Use of resources	
<p>Managing finances How effectively does the organisation manage its finances to deliver value for money?</p>	<p>Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health? Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities? Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?</p>
<p>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?</p>	<p>Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money? Does the organisation produce relevant and reliable data and information to support decision making and manage performance? Does the organisation promote and demonstrate the principles and values of good governance? Does the organisation manage its risks and maintain a sound system of internal control?</p>
<p>Managing resources How well does the organisation manage its people, natural resources and physical</p>	<p>Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities? Is the organisation making effective use</p>

assets, to meet current and future needs and deliver value for money?	of natural resources? Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?
Managing performance	
Managing performance How well does the organisation manage and improve its services and contribute to wider community outcomes?	How well is the organisation delivering its priority services, outcomes and improvements that are important to local people? Does the organisation have the leadership, capacity and capability it needs to deliver future improvements?

- 15 The KLOEs have been written to apply across sectors. We are seeking to be as consistent as possible in how we apply the KLOEs across sectors. This will help to compare performance across sectors. Clearly we will need to be sensitive in how we apply them in your organisations. However, we will consider amendments to the KLOEs in view of the unique nature of the GLA group.

The Way Forward

- 16 We would welcome your views on these proposals for implementing CAA for the GLA, LDA and TfL. In particular;
- Whether there should be annual studies on areas of interest to Londoners;
 - Whether the organisational assessment should be scored; and
 - How applicable the organisational assessment KLOEs are for your organisation.
- 17 In order to be able to implement these proposals from April 2009, we would welcome your views on them by 20 March 2009.

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February 2009