

Report to Manchester City Councils Resources & Governance Overview & Scrutiny Committee

1. Introduction

The Resources and Governance Overview & Scrutiny Committee has asked NHS Manchester to outline our approach to improving our performance as reflected in the Use of Resources (UoR) assessment process.

2. Our Approach to improving our Score on Use of Resources

- As an organisation we have embraced the UoR approach as providing an effective framework for ensuring that we have the managerial arrangements in place to secure the effective use of public resources.

- Our approach to improving how we operate within this framework has the following characteristics:
 - A senior manager has been identified to oversee the approach across the whole organisation. This is to ensure that we adopt a co-ordinate, organisation wide approach to all the key themes.
 - We work very closely with our Auditors to ensure that we are adopting the correct approach to improving our performance.
 - A Senior Manager has been identified as responsible for ensuring we are performing satisfactorily and taking the necessary steps to improve against each of the UoR key themes.
 - An improvement action plan has been developed and progress against that is monitored on a monthly basis (or more frequently if necessary).
 - We report regularly on our progress to Audit Committee. The latest report on our progress is attached for information.

- 3. This brief paper and the accompanying appendix aims to give the committee an overview of how we have approached our objective of improving our performance against the UoR assessment framework. We will be happy to answer any further questions members have about our approach at the meeting.



Report on progress in the Use of Resources Assessment for 2009/10

Purpose of this paper

1. To report to the Audit Committee on progress made in the Use of Resources assessment for 2009/10.

Background

2. Members of the Audit Committee were apprised in June this year of the new system that had been agreed by managers to ensure that the Use of Resources assessment was embedded within the PCT. Version 3 of the paper is shown as appendix 1, which updates managerial responsibility for each of the main KLOEs.
3. This paper reports on the work that has been undertaken since June.

Project initiation

4. On 23rd July 2009 the KLOE leads for the Use of Resources project participated in a session run by Grant Thornton. The objectives of the session were as follows:
 - To ensure that leads were clear on the expectations of auditors
 - To discuss and understand how the PCT could move from a band 2 assessment to band 3, bearing in mind that band 3 and above requires the PCT to demonstrate achievement of improved outcomes and not just have in place good systems and procedures
 - To discuss and understand the nature and level of detail required as supporting evidence for self assessments
 - To ensure that the approach to be taken in Manchester was understood by all the leads and that the required action was initiated over the summer period
 - To identify how it might be possible to ensure that the work undertaken in relation to the Use of Resources assessment was linked to other pieces of work such as the Healthcare Standards
5. Appendix 2 is the presentation made by Grant Thornton.
6. The outcome of the session was to ratify the plans shown as appendix 1 and ensure that early progress was made on completing the KLOE control sheets to guide all subsequent evidence gathering and 'story-telling' for the KLOE assessments.

KLOE control sheets

7. Appendix 3 shows a sample of the first draft of KLOE control sheets (Note: All control sheets received to date are available on 'Sharepoint'). These are working documents and will need further development. Nevertheless, they represent the first attempt of the leads to articulate what they are attempting to demonstrate to the auditors and they will be refined over the coming months as the evidence is gathered and the Director of Finance reviews and establishes his overview of requirements.

8. The control sheets and accompanying evidence will be held on 'PA' and 'Sharepoint' to enable Audit Committee members and the Director of Finance to be able to monitor progress and make suggestions to improving the reports.
9. Specific points that members of the Committee may wish to note are:
 - In completing these templates, the KLOE leads began by preparing the storyline, then considering the evidence and outcomes in support of that story line, as opposed to an initial focus on evidence, then building a story line round it.
 - Improvements in the overall KLOE score can only be achieved by full engagement of all staff within the PCT. This first step, of preparing a story line, will assist managers in cascading and engaging staff in the process. The actions required, to achieve a higher scoring, should form part of the directorates overall objectives, and responsibility for delivery of subsets of these action plans being part of departmental team members objectives.
 - Action plans which aim to improve KLOE scores will need reviewing throughout the period, and as evidence becomes available this will be added to 'PA' and 'Sharepoint'.
 - KLOE leads can support and challenge each other by conducting peer reviews of the story lines, evidence and outcomes. Whilst meeting regularly will provide opportunities to exchange thoughts and ideas, it will also ensure that the story lines presented overall are both coherent and consistent.

Recommendation

10. The Committee is asked to note this report and expect to receive regular updates on progress.

Director of Finance
17th September 2009

Appendix 1

Embedding the Use of Resources self assessment process within the PCT

Introduction

1. This paper outlines how PCT managers are to implement an on-going process to underpin the Use of Resources (UoR) self assessment and make available the evidence that will be required by management and auditors to demonstrate the achievement of aims.

Requirements

2. There are 10 main aspects of the UoR assessment and the following table shows the Key Lines of Enquiry (KLOEs) including responsible managers:

Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	KLOE 1.1	Gary Raphael	Andrea Bennett
Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	KLOE 1.2	Gary Raphael	Andrea Bennett
Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	KLOE 1.3	Gary Raphael	Francesca Smith
Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	KLOE 2.1	Debbie Nixon	Debbie Nixon
Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	KLOE 2.2	Iain Bell	Graham Hayler
Does the organisation promote and demonstrate the principles and values of good governance?	KLOE 2.3	Deborah Goodman	Derek McAuley
Does the organisation manage its risks and maintain a sound system of internal control?	KLOE 2.4	Deborah Goodman	Gareth Webb
Is the organisation making effective use of natural resources?	KLOE 3.1	John Harrop	Trevor Jones
Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?	KLOE 3.2	John Harrop	Trevor Jones
Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?	KLOE 3.3	John Harrop	Coren Williams

3. For each KLOE auditors are required to form a two stage assessment. First, they will assess the extent to which the PCT has met the requirements for sound systems, processes and control mechanisms. Second, auditors will assess the extent to which the organisation can satisfy measures of effectiveness, which also includes achievement of outcomes.

Progress made in 2008/9

4. Guidance on the new UoR assessment process was not received until the late autumn of 2008 and during December 2008 the Associate Director of Finance circulated local guidance to managers who had been identified as leads for KLOEs.
5. Despite reminders, some managers did not make sufficient progress before the end of the financial year in describing how they had met requirements and portfolios of evidence were not available for some KLOEs. This was not helped by failures in the PA system.
6. Furthermore, auditors found that they had to undertake detailed interviews with some managers because they had not been able to articulate clear 'storylines' backed up by the evidence that they had collected.
7. The Audit Committee has asked for a report (this report) to explain how managers in the PCT intend to avoid in 2009/10 the problems encountered during 2008/9.

Understanding the baseline

8. Grant Thornton auditors have now issue their assessment for 2008/9 for the KLOEs and the PCT has scored **level two** for all areas excluding KLOE 2.1, which was not scored in 2008/9 due to the World Class Commissioning (WCC) assessment process; and KLOE 3.1, which was not assessed in 2008/9.
9. KLOE 2.1 could have impacted on the VFM assessment had the PCT not demonstrated progress since the time of the WCC assessment. In view of the progress that had been made in 'stimulating the market' and 'procurement skills' within the PCT, the auditors were able to issue an unqualified VFM audit opinion as well as an overall unqualified opinion on the Use of Resources assessment. This is a good position from which to push-on and achieve a higher level of achievement for 2009/10.
10. Some KLOE owners felt that they had achieved higher scores than level two when presenting their storylines and evidence. There are two possible explanations for this: first, the overall assessment is a judgement made by auditors taking into account the evidence from the KLOEs and the overall position of the PCT. It would be very difficult for an organisation to achieve level 3 or 4 status based only on KLOE performance if it was having problems balancing the books or meeting CQC standards. Second, even if the PCT had the best possible systems and processes, the best KLOE score that could be achieved would be level two if this was not accompanied by clear outcomes too.
11. Therefore, in order to ensure that managers with lead and support responsibilities for KLOEs are conversant with the requirements, I have agreed with Grant Thornton that they will run a seminar

this July. I will ensure that the right managers attend and that there is a programme for this event (probably running to 2 hours). I will also ensure that some pre-seminar work is undertaken on the storylines for the 2008/9 assessments – which will form the foundation for the subsequent improvement work.

Action planning

12. I have asked Francesca Smith to ensure that following the seminar leads submit their action plans for assuring compliance with KLOEs and achieving outcomes, using the proforma outlined in Appendix A. The stages in developing the PCT approach will be as follows:
 - Lead managers to complete the first four sections of the attached forms for their areas.
 - Lead managers to liaise with the finance lead (FS) to identify the 'points' making up the storyline
 - GR and FS to advise managers on their plans and facilitate across KLOE links
13. At the end of each quarter managers will be required to provide updates on progress in gathering or generating the required evidence. The first scheduled update will be for the end of September 2009. Again, at this stage the Director of Finance and finance lead will review returns and advise on the adequacy of the work undertaken both for the evidence and the detailed points. Managers will meet together in seminar mode each quarter to confirm the on-going assessment of progress made.
14. The PA and Sharepoint systems will be used to record the detailed evidence to enable the files to be reviewed and progress monitored. I have been assured by the I.T department that the previous problems with the links from PA to Sharepoint have now been resolved. KLOE leads should let Francesca Smith know if any PA refresher training is required, so that this can be organised.

Timescales

15. Three quarterly assessments have been scheduled for September, December and February 2010. This will enable the PCT to ensure that the necessary storylines and evidence are improved over time and that by the time of the audit takes place most, if not all the requirements have been met and the PCT's overall score improved.

Recommendation

16. KLOE leads are asked to ensure that the plans outlined in this paper are implemented and Francesca Smith will begin the task of coordinating action.

Gary Raphael
Director of Finance
30th June 2009

Appendix A
KLOE CONTROL SHEET

KLOE Number :	
KLOE Description:	
KLOE Focus:	
What is the Storyline?	
Points	Evidence
1.	
2.	
3.	
4.	

5.	
6.	
7.	
8.	
9.	
10.	
SELF ASSESSMENT SCORE	
PREPARED BY:	APPROVED BY: