

A G E N D A

Audit and Corporate Governance Committee

Date: **Friday, 8th December, 2006**

Time: **10.00 a.m.**

Place: **: Brockington, 35 Hafod Road,
Hereford.**

Notes: Please note the **time, date** and **venue** of
the meeting.

For any further information please contact:

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**County of Herefordshire
District Council**

AGENDA

for the Meeting of the Audit and Corporate Governance Committee

To: Councillor A.C.R. Chappell (Chairman)

Councillors Mrs. P.A. Andrews, H. Bramer, T.M. James, J.G. Jarvis,
R.I. Matthews and Mrs. S.J. Robertson

In Attendance: T. Tobin (Audit Commission) and Councillor R.M. Wilson,
Cabinet Member (Resources).

	Pages
1. APOLOGIES FOR ABSENCE To receive apologies for absence.	
2. NAMED SUBSTITUTES To receive any details of Members nominated to attend the meeting in place of a Member of the Committee.	
3. DECLARATIONS OF INTEREST To receive any declaration of interest by Members in respect of items on the agenda.	
4. MINUTES To approve and sign the Minutes of the meeting held on 22nd September, 2006.	1 - 4
5. BENEFIT FRAUD INSPECTION REPORT FOR BENEFIT INTERVENTION To update Members on the Benefit Interventions Report from the Benefit Fraud Inspectorate and the follow-up action taken.	5 - 10
6. AUDIT COMMISSION REPORT - REVIEW OF E GOVERNMENT PROGRAMME To update Members of the results of the Audit Services follow up on the recommendations previously made by the Audit Commission.	11 - 12
7. AUDIT SERVICES INTERIM ASSURANCE REPORT The Interim Assurance Report updates Members on progress made in relation to the Audit Plan and to bring to their attention any key internal control issues. In addition the report updates Members on the actions or the current position on key issues raised for 2005/6 that required attention.	13 - 20
8. AUDIT COMMISSION LOCAL AREA AGREEMENTS To note the Audit Commission's report on Local Area Agreements.	21 - 40

9. FOREWORD TO THE COUNCIL'S CODE OF CORPORATE GOVERNANCE	41 - 44
To note the draft foreword to the Code of Corporate Governance (Appendix 1 refers).	
10. POOLED BUDGETS	45 - 54
To receive a presentation on Pooled Budgets.	

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COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

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COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

MINUTES of the meeting of Audit and Corporate Governance Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Friday, 22nd September, 2006 at 10.00 a.m.

Present: Councillor A.C.R. Chappell (Chairman)

Councillors: H. Bramer, T.M. James, J.G. Jarvis, and Mrs. S.J. Robertson.

In attendance: Councillors T. Tobin, District Audit(ex-officio) and Councillor R.M. Wilson, Cabinet Member (Resources) (ex-officio).

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Mrs. P.A. Andrews and R.I. Matthews.

2. NAMED SUBSTITUTES

There were no named substitutes made.

3. DECLARATIONS OF INTEREST

There were no declarations of interest made.

4. MINUTES

RESOLVED: That the Minutes of the meeting held on the 30th, June 2006 be approved as a correct record and signed by the Chairman.

5. TERMS OF REFERENCE

The Head of Legal and Democratic Services referred to the Terms of Reference which had been approved by Council at its meeting on 28th July 2006 (Agenda Item Report No.5 refers) and that these were essentially the areas of work that the Audit and Corporate Governance Committee should be addressing in future.

The Committee noted that the Terms of Reference were in line with the guidance issued by the Chartered Institute of Public Finance and Accountancy in respect of such Committees.

RESOLVED: That the Terms of Reference be noted.

6. AUDIT COMMISSION ANNUAL GOVERNANCE REPORT

The Director of Resources referred to the Audit Commission's Annual Governance report for Herefordshire Council for 2005/2006 (Agenda Item Report No.6 refers), and indicated that it was pleasing to note that the Audit Commission anticipated being able to issue an unqualified opinion on the Council's Statement of Accounts by 30th

September 2006. The Audit Commission had made three recommendations and these and the Council's response to those recommendations were set out in the Action Plan at Appendix 6 of the Annual Governance Report.

Mrs L Cave, District Auditor, drew the Committee's attention to the purpose and scope of the report which set out the fundamental principles which had been adhered to in carrying out the audit of the Council. She made particular reference to adjusted misstatements, qualitative aspects of accounting practices and financial reporting, material weaknesses in internal control identified during the audit (paragraphs 17, 18, and 19 respectively of the report), the recommendations pertaining to those issues, and noted the response to those recommendations in the action plan at Appendix 6 of the audit report.

RESOLVED:

- THAT (a) the management's responses to the Audit Commission's recommendations be approved; and**
- (b) the Letter of Representation be signed on behalf of the Council by the Chairman of the Audit and Corporate Governance Committee and the Director of Resources.**

7. CODE OF CORPORATE GOVERNANCE

The Committee considered a report (Agenda Item Report No.7 refers) which referred to a Code of Corporate Governance for the Council. It was noted that the Code was closely linked to the Council's Statement on Internal Control and brought together in one document the Council's overall strategy on governance.

Particular reference was made to the Standards of Conduct within the Code, and the need to maintain a set of appropriate Standards.

In endorsing the Code of Corporate Governance, the Chairman suggested that a 'Foreward' be composed to prefix the Code of Corporate Governance to explain the Committee's role generally, the framework of the Code of Corporate Governance and the role of the public.

It was suggested that the Head of Legal and Democratic Services should draw up a set of Standards, as referred to in the Code at paragraphs 42 to 45 of the Code, and how these Standards should apply.

RESOLVED:

- THAT (a) the Director of Resources be the responsible officer for financial probity, performance and risk, together with internal audit, and review independently the efficiency and effectiveness of the Code in that regard;**
- (b) the Monitoring Officer (currently the Head of Legal and Democratic Services) be the responsible officer for legal probity and the ethical framework review, and the efficiency and effectiveness of the Code in that regard;**
- (c) the reviews referred to above be carried out annually, a report submitted to this Committee and the Standards Committee respectively and any issues arising reported to Cabinet;**

- (d) subject to any comments by the Audit and Corporate Governance Committee and the Standards Committee, the Code of Corporate Governance be approved by Cabinet and Council; and**
- (e) the Director of Resources prepare a 'Foreward' to the Code of Corporate Governance explaining the link between this Committee's role and the framework of the Code of Corporate Governance, emphasizing the role of the public;**

8. AUDIT CHARTER

The Principal Audit Manager presented a report (Agenda Item Report No.8) with regard to this Council making provision for Internal Audit in accordance with the Chartered Institute of Public Finance and Accountancy/SOLACE (CIPFA) Code of Practice. It was emphasised that the proposed new Code by CIPFA had updated the old previously adopted Code.

RESOLVED: That the updated Audit Charter at Appendix 1 to Agenda be approved.

9. RISK MANAGEMENT POLICY

The Principal Audit Manager presented a revised Risk Management Policy (Appendix 1 to Agenda Item Report No.9) which had further developed the Council's approach to Risk Management and ensured compliance with good practice. He indicated that the revised Policy had streamlined the original Policy previously agreed in April 2004.

The Director of Resources informed the Committee that Corporate Governance and Risk Management would be kept under constant review with a view to keeping both areas updated in line with best practice.

RECOMMENDED: That the Risk Management Policy be endorsed and submitted to Cabinet for consideration and approval.

10. UPDATE ON THE COUNCIL'S STATEMENT ON INTERNAL CONTROL

The Principal Audit Manager presented a report (Agenda Item Report no. 10) on the outcome of the Audit Commission's review of the Council's 2005/6 Statement of Internal Control. He made reference to paragraph 6 in the report regarding Council Tax and Revenues and Benefits, and informed the Committee that these had now been included within the Statement of Internal Control. With regard to the Annual assurance return from Directors and Heads of Service, paragraph 7 of the Report refers, this had been reduced to a quarterly return which accorded with the suggestion by the Audit Commission to improve the frequency of returns.

RESOLVED: That the Report be noted and the actions endorsed.

11. USE OF RESOURCES IMPROVEMENT PLAN

The Director of Resources presented a report (Agenda Item Report No.11) regarding the progress in relation the Use of Resources Improvement Plan (Appendix 1 to that

Report refers). The Appendix listed the progress made with regard to financial matters, value for money and timescales being worked to.

RESOLVED: That the report be noted.

The meeting ended at 10.58 am.

CHAIRMAN

BENEFIT FRAUD INSPECTION REPORT FOR BENEFIT INTERVENTIONS

Report By: Head of Benefit and Exchequer Services

Wards affected

County-wide.

Purpose

To update Members on the Benefit Interventions Report from the Benefit Fraud Inspectorate and the follow-up action taken.

Financial Implications

The level of benefit subsidy received could be affected by failure to meet the interventions target.

Recommendation

THAT progress to date on the action plan be noted.

Considerations

1. Councils are required to carry out benefit interventions each year, which are the review of a selection of housing and council tax benefit claims. The methods of carrying out an intervention are by visiting the claimant's home, sending a postal check form or by matching data with other national benefits records.
2. The number of interventions required is determined by the Department for Work and Pensions with each council being set an annual target; this target includes a minimum number of interventions that have to be commenced each month. The cases selected for intervention are based on a risk assessment of the benefit caseload that seeks to identify those cases where the claimant's circumstances are likely to have changed.
3. During 2005/6 the Council failed to achieve the monthly target and as a result was selected for an inspection by the Benefit Fraud Inspectorate. The main reason for failing to meet the intervention target was a backlog of work caused by the implementation of new benefits computer software in March 2005. This new software was required because the current system was unable to meet the existing statutory requirements and in recognition of this the DWP helped with funding the cost of the software.

4. At the time of their inspection the inspectors recognised that the Council had already taken action to resolve problems with interventions and identified some areas of good practice. These included:
 - Setting up a dedicated team to focus on interventions
 - Significant progress in clearing the backlog of work
 - Excellent processes in place for verifying new claims
5. The report also identified areas where there was a need for further improvement and made a series of recommendations to deal with these.
6. The Council has responded to these recommendations by developing an action plan, which is attached to this report. This plan has been submitted to the Department for Work and Pensions for approval and Members will note that significant progress has already been made on implementing the action plan.

Risk Management

7. The Council now has in place a Statement of Internal Control Assurance Framework, which was approved by the Audit Committee. Part of the process involves actions that arise from the Council's Annual Audit and Inspection letter and associated reports. Lack of action on the Council's part could have an adverse effect on the Council's Use of Resources score at the next assessment.

BACKGROUND PAPERS

Report from the Benefit Fraud Inspectorate - Inspection of Security - Interventions.

BENEFIT INTERVENTIONS ACTION PLAN

This plan seeks to implement the recommendations set out in the BFI Interventions Report.

Recommendation	Priority	Action taken	Responsible Officer	Date for Completion	Monitored by
<p>That HC reviews its process for selecting interventions cases so that:</p> <ul style="list-style-type: none"> - risk-based reviews are carried out on its pensioner caseload in appropriate cases - <i>priority 1</i> risk cases are initially considered for a visit in line with its interventions selection policy 	High	Completed We have amended the procedures to incorporate this in the risk based reviews process.	KD	30 Sept 2006	MT
That HC takes appropriate measures to educate and remind customers to report all relevant changes in their circumstances on time	High	Completed Reminder leaflet introduced and will be sent with all benefit letters.	KD/SB	15 Oct 2006	MT
That HC ensures that, in non-standard claims for HB or CTB, a check of the Department's Customer Information System is undertaken to confirm ongoing entitlement to benefit	High	Completed Process agreed with Support Officer carrying out the CIS checks.	SL	15 Oct 2006	KD
That HC ensures that, where a change of circumstances has been identified, all necessary enquiries are made to establish the effective date of the change, where this results in a reduction in benefit, and that this date is applied to the re-assessment	High	Completed Updated procedures to ensure enquiries are made and include this element in the quality checks so it is monitored.	KD/DB	1 Nov 2006	SB
<p>That HC develops formal procedures that support its risk-based interventions work to ensure that:</p> <ul style="list-style-type: none"> - entitlement to benefit is 	High	Completed Procedures updated to reflect the recommendations, coupled with staff	KD	31 Oct 2006	MT

confirmed by identifying and fully verifying any changes of circumstances that have occurred - the risk code reasons for case selection are made known to, and understood by, its interventions officers		awareness sessions.	KD	5 Sept 2006	MT
That HC prioritises its backlog of interventions cases to identify and deal with those changes where a reduction or termination or benefit is likely	High	Completed Backlog now cleared, all new changes being dealt with in priority order.	SL	Review end Sept 2006	KD
That HC analyses its interventions by source, type, outcome and reason for outcome to inform future targeted review activity, decision making and staff training	Medium	This was not a requirement set by DWP when interventions were introduced so is not currently provided by the Academy system. We are investigating whether Academy can provide this information but planned changes to interventions from 1 April 2007 will affect this.	KD	30 Nov 2006	MT
That HC develops a guidance sheet to be sent with the visit notification that gives the customer clear examples of the type of documentary evidence to have to hand on the day of the visit	Medium	Completed Information sheet developed and sent with all benefit letters.	SL	31 Oct 2006	KD
That HC ensures that all officers involved in the verification of claims to benefit receive appropriate training	Medium	Completed Training course on verification held on 14 November 2006.	SB/KD	30 Nov 2006	MT
That HC provides clear guidance on when it is appropriate to refer cases to the Benefit Investigation Unit. This guidance should reflect the council's investigation referral	Medium	Completed Procedures updated to provide staff with guidance including appropriate amounts.	KD	30 Nov 2006	MT

criteria and the amount of any potential overpayment					
That HC identifies and addresses the causes of inaccurate information in reports produced by its Benefits IT system	Medium	On-going discussions with Academy to ascertain reasons for the errors.	KD	31 Dec 2006	MT
That HC ensures that information from original documents is correctly recorded, either through the use of portable document scanning equipment, or by providing clear guidance on when it is appropriate to bring documents back to the council for scanning as well as providing a receipt	Medium	Completed Procedures updated to include quality checking of Visiting Officers' work by the Interventions Team leader.	KD	31 Oct 2006	MT
That HC provides Verification Visiting Officers with ultraviolet scanners to authenticate original documents	Medium	Completed Visiting Officers now have access to scanners and we will be monitoring their usage.	SL	31 Oct 2006	KD
That HC documents all feedback given to the Verification Visiting Officers by the assessors and uses this feedback to identify training needs	Medium	Completed Procedures updated to include monitoring of feedback.	KD	31 Oct 2006	DB
That HC revises its target for the number of days it takes to clear cases following an intervention to reflect the number of days taken from the date of an effective visit, or the return of a postal review form	Medium	Reviewing targets to establish what would be appropriate to meet this.	MT	30 Nov 2006	
That HC revises its assessment of the risks associated with visiting customers in their homes and considers implementing a system to alert its staff to potentially violent individuals	Medium	Completed The risk assessment has been reviewed and agreed by Health and Safety Officer. Requirement for a Council PVP Policy being pursued through Senior Management Team.	KD MT	15 Oct 2006 31 Dec 2006	MT

That HC introduces a formal process for dealing with referrals that do not meet the criteria for an investigation but may be suitable for an intervention	Low	Completed Included in fraud referral procedures.	KD	30 Nov 2006	MT
That HC carries out a regular review of staff access to the Benefits IT systems	Low	Benefits Service restructure will transfer responsibility for managing system access to the Business Support Team.	Exchequer & Business Support Manager	31 Dec 2006	MT
That HC implements a formal procedure for following up Internal Audit recommendations	Low	Completed Audit Manager has agreed to change follow-up process.	TF	30 Nov 2006	MT

Prepared on 25 August 2006

Updated on 5 September 2006

Reviewed and updated on 16 October by Mike Toney

Reviewed and updated on 24 November by Mike Toney

AUDIT COMMISSION REPORT-REVIEW OF E-GOVERNMENT PROGRAMME

Report By: Audit Services Manager

Wards affected

County-wide

Purpose

To update Members of the results of the Audit Services follow up on the recommendations previously made by the Audit Commission.

RECOMMENDATIONS

THAT the report be noted.

Considerations

1. The Audit Commissions report was previously presented to the Audit Committee on 30th June 2006.
2. There were eight recommendations (High Priority 3, Medium Priority 5) made by the Audit Commission.
3. Audit Services has now completed its review in relation to the recommendations made and it is pleasing to confirm that all eight recommendations have been actioned in full. The draft report has been sent to the Head of IT and Customer Services.

Risk Management

4. The Council now has in place a Statement of Internal Control Assurance Framework, which was approved by the Audit Committee. Part of the process involves actions that arise from the Council's Annual Audit and Inspection letter and associated reports. Lack of action on the Council's part could have an adverse effect on the Council's Use of Resources score and its overall direction of travel at the next assessment.

BACKGROUND PAPERS

- CIPFA guidance on the Statement of Internal Control.

AUDIT SERVICES INTERIM ASSURANCE REPORT

Report By: Audit Services Manager

Wards affected

County-wide

Purpose

The Interim Assurance Report updates Members on progress made in relation to the Audit Plan and to bring to their attention any key internal control issues. In addition the report updates Members on the actions or the current position on key issues raised for 2005/6 that required attention.

Financial Implications

None.

Recommendation

THAT the report be noted.

Reasons

Compliance with good practice as set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

Considerations

Key Issues Identified in 2005/06

1. The Audit Committee considered the Annual Assurance Report for the year ending 31st March 2006 on 30th June 2006. In addition the Audit and Corporate Governance Committee reviewed and adopted a revised Statement on Internal Control on 30th September 2006. The key issues identified for improvement were
 - The Council does not have a Code of Corporate Governance in line with good practice. *A Code of Corporate Governance has been developed in line with CIPFA/SOLACE guidance. The Audit and Corporate Governance Committee agreed it on 30th September 2006.*
 - Risk Management is embedded at Corporate and Directorate levels and the Council has well defined procedures for recording and reporting financial and non-financial risks. There is now a need to embed risk management at Key Manager level to ensure a consistent approach across the Council. *The following progress has been made:*

- *Cabinet agreed a revised risk management policy on 12th October 2006;*
 - *The Director of Resources is now the Council's lead officer for risk management;*
 - *The Cabinet Member (Resources) is now the lead member for risk management;*
 - *The new risk management policy forms has been integrated into corporate & service planning processes for 2007/08;*
 - *Guidance has been issued to Directorate Management Teams;*
 - *Key managers have been surveyed and the feedback used to design training sessions which will be rolled out in January 2007; and*
 - *An action plan has been developed to help embed risk management at key manager level as quickly as possible.*
- *The 'Staying Safe' improvements within the Children and Young People Directorate in the Joint Area Review. A Prince 2 Project Board is now in place to ensure that satisfactory progress is made on the Cabinet's approved action plan. The Audit Commission has commented in their recent Managing Performance report that 'In line with the trends at corporate level, arrangements for managing performance in the two social care service areas, which have been criticised by a number of inspectorates, are steadily improving.' In addition the findings of the 2006 Annual Performance Assessment by CSCI and Ofsted shows that the Council has now gained a level 2 grade.*
 - *There is the need to ensure that the Council's Performance Management Framework is robustly and consistently followed across the Council. A Prince 2 Project Board is now in place to ensure that satisfactory progress is made on the Cabinet's approved action plan. The Audit Commission has commented in their Managing Performance Report that 'There is clear evidence of an improving culture of performance across the Council'.*
 - *Two marginal opinions were given on Fundamental Systems. These were the Housing and Council Tax benefit administration systems. Internal controls following the introduction of the new software systems were not found to be fully effective at the time of the audit review. Management action is being taken to implement the recommendations made by Audit Services. Recommendations follow up by Audit Services forms part of the fundamental systems review for 2006/07. The housing benefit review is currently in progress.*

Progress on the Plan

2. The Audit Plan was approved by the Audit Committee on 7th April 2006 and was based upon known risks at the time.
3. Delivery of the approved Audit Plan has been effected by two elements:
 - additional time spent verifying performance indicators; and
 - introduction of the DFEs Toolkit for Secondary schools.

4. To meet new obligations in respect of the latter, the following audit reviews have been added to the Audit Plan for the year:
 - Wigmore High School – School;
 - Bishop of Hereford Bluecoat – School;
 - Minster College – School;
 - St Marys R.C – School;
 - Whitecross High – School;
 - Fairfield High – School; and
 - Lady Hawkins High - School

5. Lower risk work has been removed from this year's Audit Plan and slipped into following years:
 - Library Administration – Establishment;
 - Barrs Court – School;
 - Brookfield – School;
 - Aconbury Centre – School;
 - Bodenham St. Micheal's C.E – School;
 - Bridstow C. E. Primary – School;
 - Brilley Parochial Primary – School;
 - Brockhampton Primary – School;
 - Bromyard St. Peter's Primary – School;
 - Capital Grants – System;
 - Leominster and Wigmore Youth Service – Establishment;
 - Environmental Management Auditing – GEM;
 - Charging and Trading Arrangements – Ad hoc Report;
 - Grants and Donations – System;
 - Hereford Registers – Establishment;
 - Modern Records – Establishment;
 - Recycling Income – System;
 - Cemeteries & Crematorium – Establishment;

6. Work removed from the Plan will not impact adversely on the level of work required to give an end of year opinion on the Council's system of Internal Control.

7. The movement in days is summarised in Table 1 below:

Table 1	
	Days
Extra days spent on BVPI Verification	39
Days added to cover the New Toolkit work	150
Total additional Days	189
Audits removed from the Plan	193

8. The work on the completion of the fundamental systems is progressing well and it is anticipated that all should be completed within the deadlines set by the Audit Commission.

Audit Opinions

9. Appendix 1 shows the status of work carried out by Audit Services, with final audits showing an audit opinion. There was an unsatisfactory audit opinion in relation to the CLIX system as it did not meet the functional or security needs of Adult Services, nor did it fulfil central government requirements. This system will however be replaced in the summer of 2008 as part of the Herefordshire Connects programme.

Recommendations made

10. At the present time management have agreed to take action on 97% of recommendation currently made. However recommendation follow up work shows that only 80% of recommendations have been actioned. It is hoped that as the year progresses this will improve.
11. Under current reporting protocols the Audit Services Manager has to bring to the attention of the Audit and Corporate Governance Committee 'Critical 1' recommendations. These are recommendations where non-compliance will be a high risk to the Council and where action is required urgently or with in an agreed timescale.
12. Four critical 1 recommendations were made. Three relate to CRB procedures and one to inventory records.

Audit Performance

13. Audit performance in relation to performance indicators is summarised in table 2 below:

Table 2 - Local Performance Indicators						
Description	2005/6		2006/7		2007/08	2008/09
	Target	Actual	Target	Actual	Target	Target
The half year Assurance report to is delivered to Members	October 05	February 06	November 06	December 06	November 07	November 08
The end of year Assurance report is delivered to Members	June 05	September 05	June 06	June 06	June 07	June 08
90% of Service Managers are satisfied with the Audit Service	90%	95%	90%	93.4%	90%	90%
100% of SRDs are completed by 31 st May 2006	100%	100%	100%	100%	100%	100%
Management accepts 95% of Level 1 and Level 2 recommendations.	95%	96%	96%	97%	96%	96%
The Audit Plan is agreed by the start of the new financial year.	April 05	April 05	April 06	April 06	April 07	April 08
Ensure that the Councils Statement of Internal Control for previous Financial year is Published	July 05	July 05	June 06	June 06	June 07	June 08

Areas of Concern

15. At the present time there is some concern with regards to the functionality and security of the CLIX system within Adult Services.

Risk Management

16. There is the risk that the level of work required to give an opinion on the Council's Internal Control system is not met. To help mitigate this the Audit Plan is kept under constant review by the Audit Services Manager.

17. In addition if the Council's fundamental system audit reviews are not completed on time it would impact adversely on the work of the Audit Commission and the closure of the Council's financial accounts. This is mitigated by the action plan agreed by Audit Services and the Audit Commission and monitored by the Audit Services Manager and the Director of Resources.

BACKGROUND PAPERS

- Code of Practice for Internal Audit 2006

STATUS OF AUDITS STARTED DURING THE YEAR

Audit	Status	Audit Opinion
Fundamental Systems		
Statement on Internal Control-2005/6	Final	Satisfactory
Creditors	Final	Satisfactory
Education Transport	Final	Marginal
Bank Reconciliation	WIP	
Salaries and Wages- Non Education	Draft with Audit Manager	
Housing Benefit Payments	WIP	
Early Years Development	Draft with Client	
Salaries and Wages- Children Services	WIP	
ICT FMS and Procurement	Draft with Client	
FMS- Main Accounting Systems	WIP	
NDR	WIP	
Debtors	WIP	
Non Fundamental Systems		
Members Expenses/Register of Interest	Final	Satisfactory
Creditor Emergency Payments	Final	Satisfactory
Aftercare/Care Leavers Payments	WIP	
Car Loans	Draft with Audit Manager	
Performance Management		
Children Services Performance Management and Delivery of the JAR Action Plan	Final	Marginal
Performance Management Framework	Final Draft	Satisfactory
IPF-Stock Turnover –Issues per 1000 population/books per 1000 population	Final	Marginal
BVPI 109 Planning Speed	Final	Marginal
BVPI 183a Average time in Temporary Accommodation	Final	Satisfactory
HIP HSSA- Private Sector Unfit Properties Made Fit.	Final	Satisfactory
HIP HSSA- Repeat Homelessness	Draft	
IPF-Stock Level per 1,000 Population	Final	Marginal
BVPI 183b – Average time in Temporary Accommodation Hostels	Final	Satisfactory
IPF- Cost per Library Visit	Final	Satisfactory
BVPI 102 – Passenger Journeys on Busses	Final	Satisfactory
BVPI 82a – Recycling Performance	Final	Satisfactory
BVPI 165 – Percentage of Pedestrian Crossings with facilities for Disabled People.	Final	Marginal
BVPI 215 – Speed in Fixing Street Lights	Final	Marginal
BVPI 53 Home Care	Final	Satisfactory
ICT		
Adult Services- CLIX System Controls	Final	Unsatisfactory
Acquisition of Equipment	WIP	
Homepoint System	Final	Marginal
Management of Software Licences	Draft with Client	

STATUS OF AUDITS STARTED DURING THE YEAR

Audit	Status	Audit Opinion
CAPS	Draft with Client	
Establishment Audits		
Kingstone High School	Final	Satisfactory
John Kyrle High School	Final	Satisfactory
Ashperton Primary School	Draft with School	
Almeley Primary School	Final	Marginal
Much Marcle Primary School	Final	Marginal
Lady Hawkins High	Final	Marginal
Verification and Probity		
Waste Management Contract	WIP	
Whitecross SSCO	Draft with Audit Manager	
Minster SSCO	wip	
Recommendation Follow up		
Hereford Museum	Draft with Client	
E-Gateway- Audit Commission Recommendations	Draft with Client	
Value for Money		
Postage	Final	N/a
Telephones	Final	N/a

Quantification and Classification of Internal Control Levels

Control Level	Definition
Good	A few minor recommendations (if any).
Satisfactory	Minimal risk; a few areas identified where changes would be beneficial.
Marginal	A number of areas have been identified for improvement.
Unsatisfactory	Unacceptable risks identified, changes should be made.
Unsound	Major risks identified; fundamental improvements are required.

The Audit Opinion is based on a number of factors including the number of Level 1 and, to a lesser extent, Level 2 recommendations. Weighting is given to different aspects of the Audit e.g. a high weighting for budgetary control. It is expected that larger systems and establishments will receive higher numbers of recommendations and allowance is made for this.

AUDIT COMMISSION REPORT-LOCAL AREA AGREEMENTS

Report By: Audit Services Manager

Wards affected

County-wide

Purpose

To note the Audit Commission's report on Local Area Agreements.

Financial Implications

None

Recommendations

THAT the report be noted.

Reason

Audit Commission Reports form part of the Council's Statement on Internal Control Assurance process, this is reinforced by the process previously agreed by the Audit Committee on 7th April 2006 that the Principal Audit Manager would monitor recommendations and report on progress.

Considerations

1. Cabinet previously considered the Audit of the Local Area Agreement report on 26th October 2006 and the report contents were noted (Appendix 1 refers).
2. The Audit Commission has requested that the report is presented to the Audit and Corporate Governance Committee (Appendix 2 refers).
3. It should be noted that Herefordshire Council officers are currently working with the Herefordshire Partnership Chief Executives' Group and Performance Management Group to incorporate recommendations made into the partnership Action plans.

Risk Management

4. The Council now has in place a Statement of Internal Control Assurance Framework, which was approved by the Audit Committee. Part of the process involves actions that arise from the Council's Annual Audit and Inspection letter and associated reports. Lack of action on the Council's part could have an adverse effect on the Council's Use of Resources score at the next assessment.

BACKGROUND PAPERS

- CIPFA guidance on the Statement of Internal Control.

AUDIT OF THE LOCAL AREA AGREEMENT

PROGRAMME AREA RESPONSIBILITY CORPORATE STRATEGY AND FINANCE

CABINET

26TH OCTOBER, 2006

Wards Affected

County-wide

Purpose

To report the outcome from the recent Audit of the Herefordshire Local Area Agreement (LAA) undertaken by Audit Commission.

Key Decision

This is not a Key Decision.

Recommendation

THAT the Herefordshire Local Area Agreement (LAA) Audit Report be noted.

Reasons

1. The Audit Commission is undertaking high-level audits of each Local Authority holding a LAA. A number of Local Authorities with LAAs have already been audited, and the remainder will be audited over the coming months. It is expected that Audits will be taking place on a regular basis to ensure that financial, performance management and accountability structures and procedures are in place.
2. The Audit Commission discussed the remit of the Audit with Government Office West Midlands to ensure that the Audit complemented and did not duplicate the six-month Review of the Local Area Agreement. This was agreed in advance by Herefordshire Council and Government Office West Midlands.

Considerations

3. The objectives of the Audit were to focus on three main areas, those being: Governance arrangements, Financial Management arrangements and Performance Management systems. Each area had a number of key, high level questions that were to be addressed.
4. The approach of the Audit was to be at a high rather than a detailed day-to-day level. The focus of the Audit was on Herefordshire Council as the accountable body. However, it is also acknowledged that the Local Area Agreement was being undertaken in partnership with other organisations. This meant that the Auditor interviewed a number of officers from key partners, including the Commander of the Herefordshire Division of West Mercia Constabulary, the Chief Executive and

Further information on the subject of this report is available from
Jennifer Watkins, Herefordshire Partnership Manager, on 01432-260610

Chairman of the Performance Management Group at the Primary Care Trust, and a representative from the Voluntary Sector Assembly. The Auditor also interviewed officers and Councillors from Herefordshire Council including the Leader, the Chairman of the Strategic Monitoring Committee, the Chief Executive, Director of Corporate and Customer Services and the Herefordshire Partnership Manager.

5. The Report concluded that good progress is being made by the Council and its partners in addressing, to a greater or lesser extent, all of the issues in the three areas. The Auditor found no serious weaknesses or gaps in the arrangements being developed, and clear enthusiasm among partners to make the Local Area Agreement process work. There was an obvious commitment to continuing the good work achieved to date. There were, however a number of specific points where the Auditor felt that more work could be undertaken.
6. The recommendations in the audit report are to:
 - a. Clarify the relative roles and responsibilities for decision-making within the various executive and non-executive groupings both within the partnership as a whole, and within the individual partners' organisations.
 - b. Develop a programme of awareness raising for decision-makers in the key partner agencies around the key operational and strategic issues within each other's agency.
 - c. Further develop the partnership's approach to risk management so that risks for individual LAA outcomes, indicators and targets are identified, managed and reported on as part of the overall LPSA performance management framework.
 - d. Clarify and develop the role of Council members in further developing the LAA – this might include a description of their role in the LAA refresh at the end of the first year of the agreement.
 - e. Clarify and publicise the role and purpose of the Council's overview and scrutiny function in scrutinising performance against the full range of LAA targets.
 - f. Develop a clearer approach to engaging with the public around the LAA – both in reporting performance and in developing the broader issue of partnership working.
 - g. Develop a plan for increasing the involvement of the Voluntary Community Sector (VCS) in the LAA process – this should include:
 - Cascading information on the purpose and nature of partnership working within the County to front-line workers in the VCS.
 - Clarifying which of the specific targets within the LAA the VCS is being expected to contribute to deliver
 - Identifying any further resource implications for the VCS that may come with greater involvement in the LAA and partnership working.
 - h. Develop a formal process for increasing the amount of pooled money in the single pot. Included in this, should be consideration of the governance,

performance management and accounting issues around making collective decisions on how to allocate joint resources to meet collectively agreed outcomes.

- i. Ensure that pooled money is explicitly linked to LAA targets, and that decisions on the use of this money are made collectively and in line with a formally agreed process.
 - j. Set up processes within the partnership to quantify the increases in value for money and efficiency savings made via the single pot, and to agree how to distribute such savings.
 - k. Improve the data collection processes within the partnership by the collective use of a shared electronic database.
7. Herefordshire Council officers are now working with the Herefordshire Partnership Chief Executives' Group and Performance Management Group to incorporate these recommendations into the partnership action plans.
 8. Herefordshire has been offered a number of days support from the Audit Commission; this support is being focussed on ensuring that the new Herefordshire Partnership structure includes the relevant requirements and management systems for the Local Area Agreement in the future, incorporating the recommendations within the audit report.

Risk Management

Risks associated with the LAA are identified within the Corporate Risk Register. In addition, the Partnership is developing its own Risk Management procedures, based on those of the Council.

Consultees

None

Background Papers

Herefordshire LAA Audit Report

Local Area Agreement

Herefordshire Council

Audit 2006/07

- Audit Commission descriptor to be inserted by Publishing-

Document Control

Author Phil Morgan

Filename HC LAA Draft Report v4

Status of our reports

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- any third party.

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Introduction

- 1 The Government is establishing Local Area Agreements (LAAs) in local authority areas to encourage public, private and community and voluntary sector bodies to pool their efforts and financial resources in order to improve services and quality of life for local people. This initiative builds on the experience of partnership working that has developed over recent years, particularly through Local Strategic Partnerships (LSPs). Each LAA has an accountable body, which is normally the single or upper tier Council for the area.
- 2 Each agreement is made up of outcomes, indicators and targets aimed at delivering a better quality of life for local people through improving performance on priorities grouped into four blocks:
 - Children and Young People;
 - Safer and Stronger Communities;
 - Healthier Communities and Older People; and
 - Economic Development and Enterprise.
- 3 The funding arrangements for LAAs vary, but all areas receive certain freedoms and flexibilities, including:
 - the ability to pool funds from central government (in most this pooling takes place within each of the four blocks - in the rest funds are put in a single pot which can be used across all four blocks)
 - the flexibility to carry over a reasonable level of unspent resources from one financial year to another in support of outcomes included in the Agreement; and
 - a reduction in the monitoring and reporting requirements.
- 4 LAAs are negotiated and agreed in conjunction with the Government Offices. The final agreement includes a number of stretch targets which are subject to a performance reward grant which is calculated at 2.5 per cent of the upper tier authority's net budget requirement.
- 5 A number of pilot LAAs were agreed in 2005, and analysis of these has demonstrated several issues. For example, although central government expected widespread budget pooling, this did not occur. Few of the pilot agreements made explicit the 'golden thread' linking funding, activities, outputs and outcomes, and early agreements often lacked clarity about how performance management (as opposed to monitoring) will work in practice.
- 6 Consequently all LAA agreements contain risks. These risks include the effectiveness of governance and leadership arrangements, as well as the arrangements in place for sound performance and financial management.

Background

- 7 Herefordshire Council (the Council) and its partners negotiated and agreed a single pot LAA with the government office in March of this year. In addition to a set of outcomes, indicators and targets, the agreement sets out plans to develop governance, financial management and performance management arrangements within the Herefordshire Partnership. The LAA has been developed in the context of the recently published Community Strategy which shares the same four themes and overall vision with the LAA.

Scope and objectives

- 8 The audit was based around three main areas of potential risk for the Council - Governance, Financial Management and Performance Management. The key, high-level questions that we addressed in each of these areas are:

Governance

- Are LAA outcomes and targets clearly defined and consistent with other local strategies?
- Is the leadership of the LAA clear and effective?
- Has the partnership got clear decision-making processes?
- Has the partnership agreed and implemented an effective approach to risk management?
- Are there strong controls to ensure accountability and scrutiny within the partnership?
- Are local people, voluntary and community organisations involved?

Financial Management

- Do organisations involved in the LAA, particularly the accountable body, have the capacity and arrangements in place to participate effectively and develop an agreement with a sound financial base?
- Are there effective arrangements for setting and monitoring budgets and for financial reporting, both internally to partners, externally and in respect of pooled budgets?
- Are adequate arrangements in place to demonstrate compliance with LAA terms and conditions and with statutory and other requirements?
- Are there clear arrangements in place for monitoring and controlling management costs and for ensuring that efficiency savings are used to further LAA objectives?

Performance Management

- Are partners committed at the highest level to effective joint performance management?

- Do partners use past and current performance to plan future action?
- Is the local performance management framework effective?
- Do partners regularly review the performance management framework and its effectiveness?

Audit approach

- 9 It was agreed that the approach to this audit would be in two stages. The first stage being a high level overview of the risk areas as set out above with further detailed audit work being undertaken as appropriate once the initial work was reported. In carrying out the initial work, and agreeing any further work, it was agreed that we would liaise closely with the Government Office for the West Midlands (GOWM) to avoid duplication with their six-monthly review later in 2006.
- 10 The initial work consisted of a review of key documentation relating to the Community Strategy and Local Area Agreement, and interviews with stakeholders from the key partner agencies in the Herefordshire Partnership. This report sets out the findings and conclusions from the high-level overview of the three risk areas. It should be noted that our findings relate to the position as at the end of August 2006 and do not reflect any changes made since that date.
- 11 The rest of this report is set out as follows:
 - an overall assessment of the arrangements to develop the LAA
 - assessments of each of the three risk areas with strengths and weaknesses identified
 - a set of recommendations and areas for further development

Main conclusions

- 12 Good progress is being made by the Council and its partners in addressing, to a greater or lesser extent, all of the issues set out above in the three key risk areas. There are no serious weaknesses or gaps in the arrangements being developed. There is clear enthusiasm among partners to make the LAA process work for the area and an obvious commitment to continuing the good work achieved to date. However, within each of the three risk areas, particularly financial management, there is still more work to do before the overall arrangements can be said to be sufficiently robust and embedded.

Governance

- 13 There are clear links between the outcomes, indicators and targets in the LAA and the priorities and objectives in both the Community Strategy and the Council's Corporate Plan. There are good links being developed between the Community Strategy action plan and the LAA with the former being seen as the wider, strategic document and the latter being more focussed on shorter-term targets. In addition, the LPSA2 stretch targets have been clearly incorporated into the LAA.
- 14 The development of the LAA has included a good process of rationalising the outcomes, indicators and targets contained in the various plans and strategies of the key partners. This process also linked the LAA outcomes to data and information on local conditions as set out in the State of Herefordshire report.
- 15 There is a culture of strong leadership within the Herefordshire Partnership which has extended to the LAA. The partnership is seen by partners as open, participative and inclusive. Although the Council has taken the lead role in developing the LAA, other partners do not perceive the Council as dominating in the process.
- 16 The recent review of the governance arrangements within the Herefordshire Partnership has strengthened the decision-making process. The new board has a broader strategic focus with the new Chief Executive's Group acting as the more operational link to specific activities and performance.
- 17 There is, however, some continuing uncertainty around the relative roles and responsibilities for decision-making of the various groups within the partnership (e.g. the Herefordshire Partnership Board, the Council's corporate management board, the Council's cabinet and the executive and non-executive boards within the individual partners). This has not been an issue to date, but will almost certainly become one once LAA performance is reported and collective decisions need to be taken around poor or under-performance.

- 18 In addition, the ability of the individual agencies within the partnership to make collective decisions is limited by their still incomplete knowledge and understanding of each other's detailed operational activities. Although there is a commitment to achieving this position, neither the Herefordshire Partnership Board, nor the Chief Executives' Group are yet able to operate in a situation where all individual members are able to make informed decisions on all aspects of the LAA. This is important as the quality of collective decision-making is enhanced in a position where partners have a good detailed understanding of the full range of issues.
- 19 There is, within all partners, a good high-level understanding of the need to embed a risk management culture and process within the LAA. Some work has been done already on distinguishing between strategic and operational risks for the partnership, but the overall position on risk is that the arrangements are not yet fully developed. The lack of a detailed approach to risk management could lead to specific risks to achieving outcomes not being identified and resolved.
- 20 At a high-level there is a good developing approach for ensuring accountability within the LAA process. A number of stakeholders - the Theme Groups, the Council's overview and scrutiny process, the Parish Councils and the Voluntary and Community Sector (VCS), have a role to play in holding the various delivery agencies to account. In addition, reporting arrangements are being developed to ensure that these stakeholders are provided with timely information on performance against the LAA targets.
- 21 In terms of the Council however, its members have not been consistently involved in the process of developing the LAA and their role in scrutinising LAA performance is not yet fully developed. A key indication of this is the continuing uncertainty among some stakeholders around the role of the Council's overview and scrutiny process in scrutinising the performance of non-Council agencies. If this issue is not resolved it could lead to the Council's scrutiny process not being used to its full potential in reviewing LAA performance.
- 22 Finally, in the area of accountability, there is an underdeveloped approach to the issue of engaging with the public around the LAA. Although a communication plan is being developed there are, as yet, no firm proposals on either how to report LAA performance to the public or how to engage with the public in developing the wider issue of partnership working towards collectively agreed outcomes. Without such an approach, the public may become distanced and alienated from important partnership activity in key areas of community interest.
- 23 There has been, to date, a good overall approach to involving and working with the VCS within the LAA process. This has included the Council making significant investment in this sector. The LAA itself contains a detailed annex on how the VCS will be involved and there is a clear commitment from the statutory sector to use the skills and opportunities that the VCS has to offer.

- 24 However, not enough has yet been done to cascade the purpose and culture of the LAA and partnership working more generally to the front line within the VCS. Part of this should be a clarification of the VCS role in delivering specific parts of the LAA and, to support this, an identification of the resource implications for the VCS of such delivery roles. Without this more detailed approach, individual VCS agencies may not fully engage with partnership working within the LAA.

Financial Management

Resourcing the Agreement

- 25 The financial basis of the LAA is clearly described in the agreement. A series of aligned funds, amounting to £21,523,140 are set out against relevant outcomes. In addition, there is reference to how the small single pot of pooled funds (£355,482) is intended to contribute to specific outcomes, and the allocation of the LPSA2 pump-priming money (£926,912) is clearly linked to relevant targets.
- 26 There is, among partners, a good understanding of the issues around aligning mainstream budgets to meet collectively agreed outcomes, and, as stated above, there is some detail in the agreement on the nature and amount of these budgets. There is also a commitment to gradually increase the size of the single pot in future years. However, there is, as yet, no formal strategy or plan to formalise how the issue of increasing pooled budgets is to be taken forward. Without such a plan, that addresses the related governance and performance management issues around agreeing how joint funding is to be allocated and accounted for, progress on increasing the pooled budget might be limited.
- 27 Given our comments in the above paragraphs around the resourcing of the agreement, we feel that this is an area of risk for the Council and its partners, and as such we may need to carry out further work during this audit year.

Financial management of the agreement

- 28 The Council has given the task of managing the pooled funding streams in the single pot to a principal accountant who has clear understanding of the LAA accounting issues. In addition to having the capacity to manage the current LAA financial arrangements, the Council and its partners are well placed to consider a possible expansion of the single pot in future years. This is due to previous work between the Council and partners in identifying possible single pot funding streams, and the experience that the Council has had with the PCT in managing pooled resources under section 31 of the Health Act 1999.

- 29 Within the small single pot, the Council is setting up good arrangements for the setting of budgets, and the identification of detailed spending plans for each aspect of the funding streams. The Council's own financial ledger system is being developed to enable monitoring of expenditure to take place against both individual work streams, and against the wider LAA outcomes. These arrangements should enable the Council to complete, when required, the statement of grant usage which should, in turn, enable the Council's chief executive to report to GOWM that the pooled money is being spent appropriately and properly.
- 30 We did not, as part of the work to date, investigate the financial management issues around the LPSA2 pump-priming grant. These arrangements were not referred to by Council officers, and therefore we may want to carry out further work in this area to identify whether there are any risks to the Council and its partners.
- 31 All partners have a good understanding of the need to develop arrangements within the partnership to identify and deal with efficiency savings that should come from closer partnership working. However, such arrangements are not yet in place. This is a key issue to address as without such arrangements, the partnership will not be able to demonstrate to government and service users how the LAA is improving value for money and efficiency across service deliverers.

Performance Management

- 32 There is a clear, high-level, commitment among all partners to manage collectively the performance of the LAA. This commitment is linked to an understanding among all partners of the distinction between simply monitoring performance by the partnership and actively managing poor or under-performance. The Council demonstrates its own commitment in this area by the inclusion in its improvement plan of the need to develop performance management arrangements within the LAA.
- 33 There is a good emerging approach to developing a set of processes and arrangements to management the performance of the LAA. These are based on the Council's own performance management framework which is being modified in consultation with partners. Data collection processes are in place, with links between the Council's partnership support team and the individual partner agencies to ensure the timeliness and quality of the data. These processes are, however, not fully linked electronically which does increase the resource needed to collect the required data. The Council is committed to purchasing a new software system which should fill this gap.
- 34 There is a good reporting template that is being developed to capture all the relevant information on progress against the LAA outcomes, indicators and targets. Relevant actions from the Community Strategy action plan will also be reported using this template. Although the first proper report to the partnership is not due until September 2006, the templates have been piloted and the indications are that they will provide a good rounded picture of performance.

- 35 There is a good approach to setting terms of reference and roles and responsibilities for the various groups within the partnership in the area of performance management. The key grouping of partners - the Performance Management Group (PMG) has a clear role in receiving performance reports and dealing collectively with any poor or under-performance. Both the chair and members of the PMG are clear about this role which suggests that, once the process of reporting starts, the arrangements should provide for an effective way of agreeing remedial action in areas where targets are not being met.
- 36 Part of the overall commitment to performance management is a clear understanding among partners that past and current performance needs to be used in order to plan future action. Although, due to the fact that the first proper performance report is not due until September 2006, there is no evidence of this happening yet, the processes and systems that are being developed should enable the partnership to make decisions in this way.
- 37 Finally, in the area of performance management, there is a clear commitment to continually assessing the strengths and adequacy of the performance management framework. The partnership is using both this audit and the upcoming GOWM six-monthly review as an opportunity to improve and refine the arrangements for managing performance.

Recommendations

Recommendations
<i>R1 Clarify the relative roles and responsibilities for decision-making within the various executive and non-executive groupings both within the partnership as a whole, and within the individual partners' organisations.</i>
<i>R2 Develop a programme of awareness raising for decision-makers in the key partner agencies around the key operational and strategic issues within each other's agency.</i>
<i>R3 Further develop the partnership's approach to risk management so that risks for individual LAA outcomes, indicators and targets are identified, managed and reported on as part of the overall LAA performance management framework.</i>
<i>R4 Clarify and develop the role of Council members in further developing the LAA - this might include a description of their role in the LAA refresh at the end of the first year of the agreement.</i>
<i>R5 Clarify and publicise the role and purpose of the Council's overview and scrutiny function in scrutinising performance against the full range of LAA targets.</i>
<i>R6 Develop a clearer approach to engaging with the public around the LAA - both in reporting performance and in developing the broader issue of partnership working.</i>

R7 Develop a plan for increasing the involvement of the VCS in the LAA process - this should include:

- cascading information on the purpose and nature of partnership working within the County to front-line workers in the VCS
- clarifying which of the specific targets within the LAA the VCS is being expected to contribute to deliver
- identifying any further resource implications for the VCS that may come with greater involvement in the LAA and partnership working

R8 Develop a formal process for increasing the amount of pooled money in the single pot. Included in this, should be consideration of the governance, performance management and accounting issues around making collective decisions on how to allocated joint resources to meet collectively agreed outcomes.

R9 Ensure that pooled money is explicitly linked to LAA targets, and that decisions on the use of the this money are made collectively and in line with a formally agreed process

R10 Set up processes within the partnership to quantify the increases in value for money and efficiency savings made via the single pot and to agree how to distribute such savings

R11 Improve the data collection processes within the partnership by the collective use of a shared electronic database

DRAFT

Appendix 1 – <heading text>

1 Text...

DRAFT

FOREWORD TO THE COUNCILS CODE OF CORPORATE GOVERNANCE

Report By: Audit Services Manager

Wards affected

County-wide.

Purpose

To note the draft foreword to the Code of Corporate Governance (Appendix 1 refers).

RECOMMENDATIONS

THAT the foreword be submitted to Cabinet for approval subject to agreement with the Standards Committee.

Considerations

1. The Audit and Corporate Governance Committee previously reviewed and commented on the draft Code of Corporate Governance on 22nd September 2006.
2. The Committee requested that the Director of Resources prepare a foreword to the code.
3. The draft foreword will form part of the previously submitted Code of Corporate Governance and be presented to the Standards Committee and Cabinet.

Risk Management

4. Although there is no risk in relation to the foreword to the Code. If the Council does not adopt a Code of Corporate Governance in line with good practice it could impact adversely on the Councils aspirations to improve its Use of Resources Internal Control Score.

BACKGROUND PAPERS

- CIPFA guidance on the Statement of Internal Control.

**Code of Corporate Governance
Foreword**

Herefordshire Council is responsible for ensuring that its activities are conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

In discharging this accountability, Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of its resources.

To help in this responsibility the Council has adopted a Code of Corporate Governance, which is consistent with the principles of and reflects the requirements of the CIPFA (Chartered Institute of Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives) framework 'Corporate Governance in Local Government: a keystone for Community Governance'.

The Director of Resources, the Council's Section 151 officer is responsible for the efficiency and effectiveness of the Code with regards to financial probity, performance and risk.

The Head of Legal and Democratic Services, the Council's Monitoring Officer together with the Standards Committee is responsible for the efficiency, effectiveness and compliance of the Code with regards to legal probity and the ethical framework.

Annually the Director of Resources and the Head of Legal and Democratic Services will submit a report on the adequacy and effectiveness of the Code to the Audit and Corporate Governance Committee and the Standards Committee respectively.

The Council is seeking to continually improve the effectiveness of the arrangements for the Governance of the Council's affairs. The Council will review the Code as part of its annual review.

Cllr R. Phillips
Leader of the Council

N. Pringle
Chief Executive



POOLED BUDGETS

The Health Act

‘Freedoms and Flexibilities’

The Statutory Background Health Act 1999

The Act provides for:

- Establishment of joint working arrangements
- Duty of co-operation
- Health Improvement Programme
- Pooled Budgets (Section 31)



Why Freedoms and Flexibilities?

- Whole systems responses designed for customers not providers
- Better co-ordination of activity
- Opportunities for greater participation
- Greater efficiency in the use of resources
- Opportunities for innovation



What are the “Flexibilities”?

- Pooled budgets not aligned budgets
- Lead commissioning
- Integrated provision
- Any combination of the above

Pooled Budgets

- Flexible use of available revenue resources
- Clear aims and outcomes
- Agreed level of contributions
- Money in the 'fund' able to be spent on any use of the services
- Performance measures
- One agency to host pooled fund
- Host produces memorandum account

National Picture

- £3.5billion of schemes across the Country covering:-
 - joint arrangements
 - commissioning residential/nursing home based care
 - services for older people, mental health care and children
 - intermediate and respite care

The Herefordshire Picture

- One of the first users of the 1999 Health Act
- Currently 5 Section 31 agreements:

Hosted by the Council

- Learning Disabilities
- Integrated Community and Equipment Services

Hosted by the Primary Care Trust

- Mental Health Services
- Blanchworth Contract , Kington
- Hillside Intermediate Care

- In total joint funding of £ xm.

Key issues for local agreements

- Governance
- Workforce
- Information sharing
- Finance
- Best Value, clinical governance



Partnership – potential difficulties

- Territorialism
- Time consuming
- Requires trust
- Potential for bureaucracy – keep it simple!
- Perceived unclear accountabilities – sound governance



and finally.....

- Put the customer first, not the service provider
- Establish good joint working
- Ask the right questions for the right challenge
- Agree principles and values
- Clarity of purpose and agreement
- Clarity about funding