

# A G E N D A

## Audit and Corporate Governance Committee

Date: **Friday, 19th January, 2007**

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Time: **2.00 p.m.**

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Place: **Council Chamber, Town Hall,  
Hereford**

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

*For any further information please contact:  
Paul Rogers, Democratic Services Officer*

*Email: [progers@herefordshire.gov.uk](mailto:progers@herefordshire.gov.uk)*

*Please note following the meeting  
Members of the Committee are invited to a  
visit of the Benefits Section.*

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# 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, Mrs. S.J. Robertson.

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

	Pages
1. <b>APOLOGIES FOR ABSENCE</b> To receive apologies for absence.	
2. <b>NAMED SUBSTITUTES(IF ANY)</b> To receive any details of Members nominated to attend the meeting in place of a Member of the Committee.	
3. <b>DECLARATIONS OF INTEREST</b> To receive any declaration of interest by Members in respect of items on the agenda.	
4. <b>MINUTES</b> To approve and sign the Minutes of the meeting held on 8th December 2006.	1 - 4
5. <b>AUDIT COMMISSION USE OF RESOURCES REPORT</b> To update Members on the Audit Commission's Report on the Council's Use of Resources, and to outline the action being taken on improvements identified.	5 - 70
6. <b>AUDIT SERVICES UPDATED INTERIM ASSURANCE REPORT</b> To update Members on work status and to bring to their attention any key internal control issues.	71 - 74
7. <b>CLIX ICT SYSTEM REVIEW - RECOMMENDATION FOLLOW UP</b> To update Members of the Committee on the current status of audit recommendations made.	75 - 76
8. <b>BENEFITS CORPORATE PERFORMANCE AND BENEFIT CHANGES APRIL 2007</b> To advise Members on the Benefit Fraud Inspectorate Corporate Performance Assessment report and the Benefit Intervention changes.	77 - 78
9. <b>MANAGING PERFORMANCE MANAGEMENT</b>	79 - 102

To consider and approve the action plan attached at Appendix 1 to the main report, which has been developed as the Council's response to the recommendations of the recent audit of performance management. When finalised, this action plan will be sent to the Audit Commission.

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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 Brockington, 35 Hafod Road on Friday, 8th December, 2006 at 10.00 a.m.**

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

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

**In attendance:** Mr T Tobin (Audit Commission) and R.M. Wilson Cabinet Member (Resources) ex-officio.

**12. NAMED SUBSTITUTES**

There were no named substitutes made.

**13. DECLARATIONS OF INTEREST**

There were no declarations of interest made.

**14. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor H. Bramer.

**15. MINUTES**

**RESOLVED:** That the Minutes of the meeting held on the 22nd September, 2006 be approved as a correct record and signed by the Chairman subject to the words 'ex-officio' being deleted after the word 'Audit' and referred to 'In attendance'.

**16. BENEFIT FRAUD INSPECTION REPORT FOR BENEFIT INTERVENTION**

The Head of Benefit and Exchequer Services presented a report which updated the Committee with regard to the Benefit Interventions Report from the Benefit Inspectorate and the follow up action taken.

The Committee was informed that all the recommendations in the Benefit Intervention Action Plan, referred to in the table attached to the report, had been implemented with the exception of two areas which required more work. These areas were

- (i) The analysis of work surrounding interventions.
- (ii) The review of work on intervention.

These two areas were currently under review.

In respect of Interventions and targets for Local Authorities, the Committee noted that the rules governing these targets would be changing in April 2007, the emphasis being put on the number of Interventions being examined rather than completed.

**RESOLVED: That the report be noted.**

**17. AUDIT COMMISSION REPORT - REVIEW OF E GOVERNMENT PROGRAMME**

The Principal Audit Manager presented a report which updated the Committee regarding actions taken in respect of recommendations made previously by the Audit Commission which were reported to the Audit Committee at its meeting on 30<sup>th</sup> June 2006, in respect of this Council's E Government programme.

**RESOLVED: That the report be noted.**

**18. AUDIT SERVICES INTERIM ASSURANCE REPORT**

The Principal Audit Manager presented a report which updated the Committee on progress made in relation to the Audit Plan, key internal control issues in relation to the Plan and on actions or the current position on key issues raised for 2005/06 that required attention.

The Committee noted that the date referred to in paragraph 1 on page 13 on the Agenda should read '22nd September 2006' and not '30th September 2006'.

The Chief Executive informed the Committee that the timescale for the replacement of the CLIX system was being proceeded with in accordance with the Council's approved Procurement programme.

Members agreed with the Chief Executive that future references to officers in Reports to the Committee should refer specifically to the officer in question and not in generalistic terminology.

The Principal Audit Manager reported also that Teachers would in the near future be receiving guidance in respect of CRB checks for new employees which should speed up that particular part of the recruitment process.

Mr.T.Tobin, Audit Commission, reported that all matters referred to in the Audit Plan were on track and expressed approval at the current position.

**RESOLVED: That the report be noted.**

**19. AUDIT COMMISSION LOCAL AREA AGREEMENTS**

The Principal Audit Manager presented a report on Local Area Agreements.

Ms C. Bucknell, Principal Partnership Officer, Herefordshire Partnership Support Team, attended the meeting.

Mr. T. Tobin, Audit Commission, reported that overall there were no concerns with the Herefordshire Local Area Agreement and that although he was satisfied with the purpose and structure of the Agreement, the Audit Commission would continue to monitor details of the Agreement.

**RESOLVED: That the report be noted.**

**20. FOREWORD TO THE COUNCIL'S CODE OF CORPORATE GOVERNANCE**

## **AUDIT AND CORPORATE GOVERNANCE COMMITTEE FRIDAY, 8TH DECEMBER, 2006**

The Principal Audit Manager presented a report which set out a draft Foreward to the Code of Corporate Governance.

**RESOLVED: That the Foreward for inclusion with the Code of Corporate Governanace be submitted to Cabinet for approval subject to the agreement with Standards Committee.**

### **21. POOLED BUDGETS**

Mr. D. Powell, Head of Financial Services, gave a presentation in respect of Pooled Budgets. A copy of the presentation is attached to these Minutes.

**RESOLVED: That Mr. Powell be thanked for the presentation.**

The meeting ended at 11.14 a.m.

**CHAIRMAN**



## **AUDIT COMMISSION USE OF RESOURCES REPORT**

**Report By: Director of Resources**

### **Wards Affected**

County-wide.

### **Purpose**

To update Members of the Audit and Corporate Governance Committee on the Audit Commissions Report on the Councils Use of Resources (Appendix 1 refers), and to out line the action being taken on improvements identified.

### **Financial Implications**

None Identified

### **RECOMMENDATION**

**THAT the report be noted.**

### **Reasons**

The Use of Resources Judgement assesses how well the Council manages and uses its financial resources. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the council's priorities and improve services. The five themes covers:

- financial reporting;
- financial management;
- financial standing;
- internal control; and
- value for money.

The Use of Resources assessment reflects the requirement for continuous improvement and helps to establish clear minimum requirements that will provide the foundation for reducing regulation in the future.

The Councils target is to achieve a level 4 by no later than 2009-10.

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Further information on the subject of this report is available from on Sonia Rees,  
Director of Resources on (01432) 383519

## Considerations

1. The Councils Use of Resources score for 2006 has remained at 3, however it should be borne in mind that to support scores of 3 and above the Audit Commission has to consider whether relevant arrangements are embedded, that is, they have been operating consistently with clear outputs and are having an impact.
2. Comparison of the theme score for 2006 and 2005 has been summarised in the table below.

Theme	Score 2006	Score 2005
Financial Reporting	3	3
Financial Management	3	3
Financial Standing	2	2
Internal Control	2	2
Value for Money	3	3
<b>Overall score</b>	<b>3</b>	<b>3</b>

3. The standard scales used in the assessment are:
  - 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.
4. Although the overall score remained the same when compared to last year this has been a year for embedding processes and procedures. However there were movements in two Key Lines of Enquiry (KLOE). Within the theme Financial Management KLOE 1.2 **The Council promotes external accountability** moved from a 2 to a 3 in 2006. However within the theme Internal Control KLOE 4.3 **The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business** moved from a 3 to a 2 in 2006.
5. The adverse movement in KLOE 4.3 was due to:
  - The Codes of Conduct for Members and Officers requires review with some tightening of the rules around the receipt of gifts and hospitality:
  - More emphasis needs to be placed on having stronger arrangements for probity and propriety in place by actively ensuring staff and others involved with the Council are aware of and understand policies and processes (e.g.) Whistle-blowing.
  - The Whistle-blowing process must be communicated to all staff and external partners.

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Further information on the subject of this report is available from on Sonia Rees,  
Director of Resources on (01432) 383519

6. A 'next step' document (Appendix 2 refers) has been developed, in consultation with Corporate Management Board Colleagues and relevant Heads of Service and outlines the key areas requiring action. The Audit Services Manager will be acting as Project Manager and will agree specific actions and timescales with the relevant officers, once agreed the detailed action plan will be submitted to the Audit and Corporate Governance Committee for consideration and comment and then on to Cabinet for approval.
7. Looking into the future it is going to be a challenge retaining our 3 score in 2007 as the tests get harder, the assessment period changes and the Audit Commission will continue to seek embeddedness of the new financial management culture.

### **Risk Management**

8. 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**

Use of Resources Auditor Judgement

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Further information on the subject of this report is available from on Sonia Rees,  
Director of Resources on (01432) 383519





Use of Resources

Date

Last saved: 30/11/2006 10:05:00

# Use of Resources Auditor Judgements

Herefordshire Council

- Audit Commission descriptor to be inserted by Publishing-

Document Control

Author Terry Tobin

Filename Use of Resources Auditor Judgements report

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## Introduction

- 1 The annual Use of Resources (UoR) assessment evaluates how well councils manage and use their financial resources. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services, covering five themes.
- 2 This is the second year of carrying out the assessment and our work has focused on building on our previous year's work and updating it for any changes and improvements to the Council's arrangements.
- 3 Judgements will be made for each theme on the following scale which has been standardised by the Audit Commission across inspection and performance assessment frameworks.

**Table 1 Standard scale used for assessments and inspections**

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

The overall score for Use of Resources assessment will be reported to the Council by the Audit Commission on 1 December 2006.

- 4 In forming our assessment, we followed the methodology set out in the Use of Resources Guidance for Councils, 2006 assessment. In particular, in order to support scores of 3 and above, we need to consider whether relevant arrangements are 'embedded' that is, they have been operating consistently with clear outputs and having an impact. For scores of 4 (performing strongly) we are required to consider whether, in addition to meeting the descriptors/criteria, councils can demonstrate innovation or best practice that can be shared with other authorities. The descriptors/criteria at level 4 have been kept to a minimum so as to avoid them becoming unnecessarily prescriptive and limiting.
- 5 In relation to future assessments, as outlined in the CPA framework documents for 2006 [for single tier and county councils/for district councils], the status of a number of criteria will change to 'must have status'. For information, these criteria have been summarised at Appendix 1. In order for the Council to sustain or to improve upon its current performance at the next assessment, it will need to take these criteria into consideration.

- 6 The five theme scores for Herefordshire Council are outlined overleaf. This summary sets out our key findings in relation to each theme and key areas for improvement.

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## Use of resources judgements

**Table 2 Summary of scores at theme and KLOE level**

Key lines of enquiry (KLOEs)	Score 2006	Score 2005
<b>Financial reporting</b>	<b>3</b>	<b>3</b>
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3	3
1.2 The Council promotes external accountability.	3	2
<b>Financial management</b>	<b>3</b>	<b>3</b>
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	3	3
2.2 The Council manages performance against budgets.	3	3
2.3 The Council manages its asset base.	3	3
<b>Financial standing</b>	<b>2</b>	<b>2</b>
3.1 The Council manages its spending within the available resources.	2	2
<b>Internal control</b>	<b>2</b>	<b>2</b>
4.1 The Council manages its significant business risks.	2	2
4.2 The Council has arrangements in place to maintain a sound system of internal control.	2	2
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	2	3
<b>Value for money</b>	<b>3</b>	<b>3</b>
5.1 The Council currently achieves good value for money.	3	3
5.2 The Council manages and improves value for money.	3	3

## Theme summaries

- 7 The key findings and conclusions for each of the five themes are summarised in Table 3.

**Table 3 Summary of findings and conclusions by theme**

<h3>Financial reporting</h3> <p><b>Theme score 3</b></p>	
<p><b>Key findings and conclusions</b></p>	
<p>The statement of accounts was produced and audited earlier this year and there were fewer errors found. The standard of working papers supporting the financial statements has improved and is good, but there is still some scope for improvement. For example the analytical review received for Education was not sufficient for us to complete our work and the papers received from the capital team could be improved with many references on the capital accounting checklist to "see capital accountant". Requests for further information were dealt with swiftly by finance staff and this speed of response was a significant improvement on previous years.</p> <p>The Council have improved their external website and it is now an easier to find relevant information. The Council have produced a good summary annual review of the accounts which is in an easy to read format.</p>	
<p><b>Improvements since the 2005 assessment</b></p>	
<p>The standard of the working papers has improved          The website has improved and finding detailed financial information is far easier.          A good summary report has been produced which is easy to read          An annual report has been produced.          The Audit Committee has been in place for twelve months and there is member scrutiny of the accounts prior to audit. .          Members have received good training in the review of the statement of accounts          Accounts were produced and audited earlier</p>	
<p><b>Further improvement opportunities</b></p>	
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working</p>	<p>Further improve quality of working papers particularly in relation to capital accounts.</p>

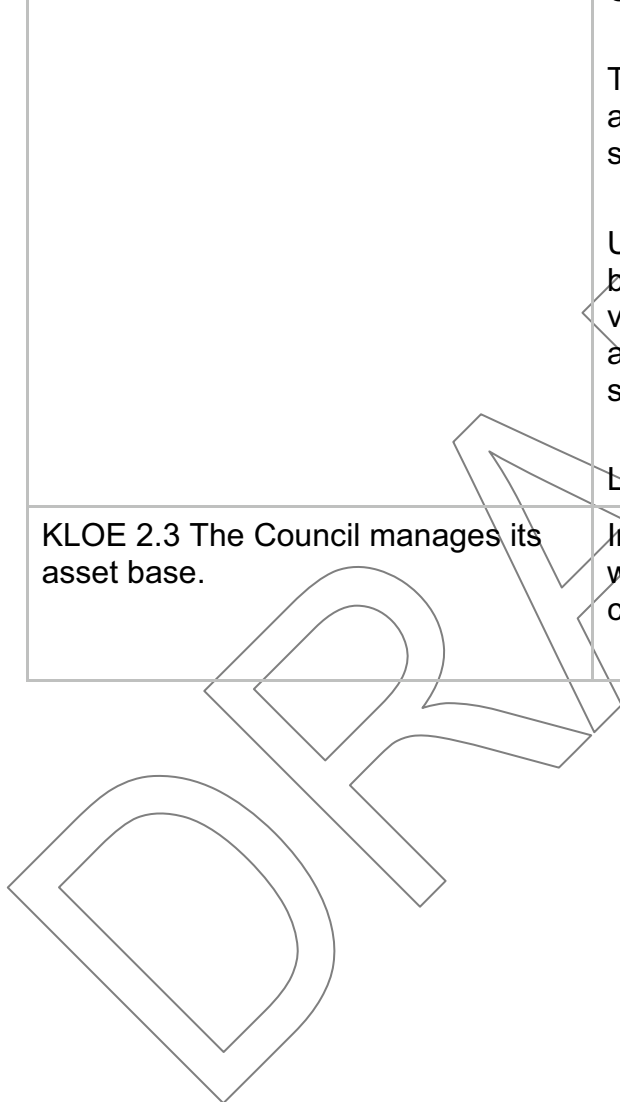


<b>Financial reporting</b>	
<b>Theme score 3</b>	
papers.	Improve the analytical review in relation to the CRA.
KLOE 1.2 The Council promotes external accountability.	The preferred formats for the annual report could be further developed by incorporating user views.

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<h2>Financial management</h2> <p><b>Theme score 3</b></p>	
<p><b>Key findings and conclusions</b></p> <p>The Council has made very good progress over the last year in improving the quality and reliability of financial management arrangements including in adult social care. Particularly significant was the production of a robust Medium Term Financial Plan which is focussed on the achievement of the Council's objectives. The Council need to continue this improvement and fully embed the new financial management arrangements.</p>	
<p><b>Improvements since the 2005 assessment</b></p> <p>The production of a robust Medium Term Financial Plan which is linked to corporate objectives along with the risks in achieving them. It also identifies departmental responsibilities.</p> <p>The MTFP addresses options for when overspends occur.</p> <p>Greater Member involvement and understanding in the monitoring of budgets. Financial and non-financial information to Members has improved.</p> <p>A clear and transparent budget setting process which is now more focussed on budget holders. Budget Holders have to monitor their expenditure, provide information on service development, cost pressures and efficiency savings. They appear also to have greater understanding of their responsibilities.</p> <p>Significant improvement in forecasting under and over spends.</p>	
<p><b>Improvement opportunities</b></p>	
<p>KLOE 2.1 The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.</p>	<p>There have been a number of innovations during this financial year (see above) which now need embedding into the culture of the Council.</p> <p>The Corporate Business plan needs to include sensitivity analysis.</p> <p>A new system for revenue and capital projects, including a project appraisal, business plan and affordability test needs to embed.</p> <p>Level 4 tests need consideration</p>

<b>Financial management</b>	
<b>Theme score 3</b>	
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>Innovations during this financial year (see above) which now need embedding into the culture of the Council.</p> <p>Training must be provided to Members and relevant non financial staff.(training is being developed)</p> <p>Underspend and overspend need to be closely managed with reported variances to Members being a more accurate reflection of the Councils spend to date.</p> <p>Level 4 tests need consideration</p>
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>Innovations during this financial year which now need embedding into the culture of the Council.</p>



<h2>Financial standing</h2> <p>Theme score <b>2</b></p>	
<p><b>Key findings and conclusions</b></p> <p>Achieving financial balance is an important element of financial standing and historically the Council has been successful at this. Good financial standing is also about effectively managing activities and associated budgets to avoid significant under-spending and the non-achievement of objectives. It is also about setting aside prudent but not excessive levels of reserves in relation to risks. For the last three years the Council has started the year forecasting the need to use approximately £3m of its general reserve. However due to large unplanned under-spending within a number of departments a contribution has been made to reserves of between £3-4m. Capital reserves have remained static at approximately £20m.</p> <p>We have seen significant improvements in this financial year. Until recently the Council has had high levels of general reserves for which there was no clear strategy on how they would be used. As part of the production of the medium term financial plan, revenue reserves were reviewed and significant amounts of reserves were earmarked against specific risks..</p> <p>Further improvement is still needed, including a reappraisal of the level of reserves that the Council should now hold.</p>	
<p><b>Improvements since the 2005 assessment</b></p> <p>Reserves are being earmarked for specific purposes. A robust medium term financial plan has been produced.</p>	
<p><b>Further improvement opportunities</b></p>	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p>	<p>The Council must ensure that it continues to manage its level of reserves more robustly. This includes regular reports to members on the level of reserves needed.</p> <p>The Council must set and monitor targets for all material categories of income collection and recovery of arrears, based on age profile of debt.</p>

## Internal control

Theme score **2**

### Key findings and conclusions

There have been significant improvements this year in risk management arrangements. The Council has put in place a risk register which assigns key individuals to risk. The register is actively managed as can be seen from the movement of the waste disposal risk into the corporate log. Champions have been put in place to drive risk forward and Members have been trained. However there is still scope for improvement. The Council now needs to demonstrate that it actively manages risk and there are outputs from that management. Officers need to be trained in risk awareness and the Council need to demonstrate that they have adequately considered partnerships in their risk assessments.

There have also been significant improvements in the internal control arrangements of the Council. The Audit and Corporate Governance Committee has been in operation for over 12 months, having had 5 meetings and has been improving with each meeting. The Committee now provides a focus for audit reports and governance issues, giving these a greater profile. It also has started to track progress on previous internal and external audit reports, an area which is developing. The Statement of Internal Control (SIC) is reviewed by the Audit Committee and there is much wider involvement in the process than previously. Issues raised during the 2005-06 audit are being or have been addressed. To improve further, the elements that have been put in place over the last year need to embed. The assurance framework needs to embed and the links between the Council's objectives and risks could be clearer. Reconciliations of key feeder systems need to occur monthly. Partnership arrangements need to be developed with standing orders showing how good governance and partnerships relate.

Probity and propriety have not progressed in the same way as other parts of this assessment. We were particularly concerned with the robustness of the process in relation to gifts and hospitality and found several weaknesses in its operation whilst testing it. The Code of Conduct for Officers and Members needs to be re-visited. The whistle blowing policy has not been communicated to those who contract with the Council. The Council has been proactive in trying to raise awareness concerning ethical behaviour. The Council also needs to raise awareness of whistle blowing procedures and the anti fraud and corruption policy. This can be done by providing leaflets and placing posters where they would be seen. The fraud and corruption policy is not yet considered in the risk strategy.

<h2>Internal control</h2> <p>Theme score <b>2</b></p>	
<p><b>Further improvements since the 2005 assessment</b></p>	
<p>Standing orders, standing financial instructions and the scheme of delegation have been reviewed at least annually</p> <p>Compliance with SFIs, SOs and the scheme of delegation is monitored by CMB.</p> <p>The risk register is better focused with champions nominated</p> <p>A far more robust risk register is in place.</p> <p>Training for members on risk has taken place.</p> <p>An Audit and Corporate Governance Committee is in place which is continually improving</p> <p>Much improved process for the Statement of Internal Control</p>	
<p><b>Further improvement opportunities</b></p>	
<p>KLOE 4.1 The Council manages its significant business risks.</p>	<p>The risk management process should be reviewed and updated at least annually.</p> <p>All significant risks should be included in the corporate risk log</p> <p>All appropriate staff should be offered relevant training.</p> <p>The Council risk register must be clearly aligned to the Council's strategic objectives.</p>
<p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.</p>	<p>The assurance framework should more clearly map the strategic objectives to the risk register, controls and assurances.</p> <p>All reports submitted to Members must be formally considered for legal issues before presentation.</p> <p>Regular reconciliations of all</p>

<h2>Internal control</h2> <p>Theme score <b>2</b></p>	
	<p>significant financial systems should be carried out</p>
<p>KLOE 4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</p>	<p>The Code of Conduct for Members and Officers needs review and there should be some tightening of the rules around the receipt of gifts and hospitality.</p> <p>More emphasis needs to be placed on having stronger arrangements for probity and propriety in place by actively ensuring staff and others involved with the Council are aware of and understand policies and processes (e.g. whistle-blowing).</p> <p>Whistle-blowing processes must be communicated to all staff and external partners. This can be carried out internally by displaying posters etc.</p>

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## Value for money

Theme score **3**

### Key findings and conclusions

Overall spend on services is below average when compared with similar councils. Service outcomes in some areas are good and some improvements have been achieved (e.g. speed of processing planning applications), however the Council has also seen a decline in performance in some significant areas. The capital programme is linked to priorities, and is reasonably well managed. In broad terms, the Council still achieves a lot for its level of resourcing.

The Council's understanding of its cost pressures is improving, with a more robust and rigorous approach to medium term planning. There is a more robust approach to integrating service and resource planning. Areas of overspending are identified and a range of steps are being taken to address them. The key area here is Adult Social Care which has significant projected overspends and will present a continuing challenge over the medium term. There is a better grasp on costs and benchmarking information in some services, but this is still not consistent across all service areas. Corporate approaches to procurement are still not well developed.

Arrangements for challenging and driving better value for money (VFM) and more efficient ways of working are improving, but many of these improvements are still at an early stage and have yet to show their impact. For example, the Council believes the Herefordshire Connects programme to have the potential to deliver significant improvements in both customer service and cash-releasing efficiencies. This programme, and the more robust approaches to medium term planning, is already having an impact on the organisation's culture. However, a VFM culture is still not well developed or embedded across all service areas. A consistent pattern of under-spending in most service areas indicates that there is still scope in service budgets to drive further efficiencies, and the lack of targets in a significant number of 05/06 performance indicators meant that the Council's capacity to assess improved VFM was weakened. There is room for improvement in the challenge provided by Scrutiny.

There is a lack of straightforward and transparent accounting for how well services are doing in their delivery of value for money. It is not always clear from service plans and performance reports how improved value for money has been achieved. The Council has set itself challenging targets for efficiency gains, but it does not always have assurance that non-cashable efficiency gains are being robustly stated.

### Improvements since the 2005 assessment



## Value for money

Theme score **3**

Improved understanding of cost pressures

More robust approach to medium term planning, and better integration of service and resource planning.

Much work has been done on the Herefordshire Connects programme

Significant improvements in customer service and cash-releasing efficiencies

### Improvement opportunities

KLOE 5.1 The Council currently achieves good value for money.

The Council's understanding of its cost pressures is improving, with a more robust and rigorous approach to medium term planning. The Council needs to continue to embed this understanding.

Significant service overspends need to be robustly tackled.

KLOE 5.2 The Council manages and improves value for money.

Embed the improvements made in planning for and delivering value for money, e.g. Herefordshire Connects.

Ensure robust approaches to benchmarking in all service areas, and ensure that challenge (e.g. Scrutiny) is robust.

Ensure that improvements in value for money are accounted for in a straightforward and transparent way, by improving service planning and reporting arrangements.

Issue updated guidance to services on measuring efficiencies, and improve the assurance arrangements to ensure that efficiency gains are robustly

<b>Value for money</b>	
<b>Theme score 3</b>	
	stated.  Corporate approaches to procurement are still not well developed.

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## Appendix 1 – Criteria which will gain 'must have' status for the next assessment

### New criteria in bold type ('must have') for 2006/07 assessment

- 1 This table summarises criteria that are currently included in the KLOE but are not in bold type and do not have 'must have' status, but which will have such status for the 2006/07 assessment.

<b>KLOE</b>	<b>Summary of criteria</b>
<b>Financial reporting</b>	
1.1	Requests for information from audit are dealt with promptly.
1.2	Summary financial information that meet the needs of a range of stakeholders is published.
<b>Financial management</b>	
2.1	There are arrangements for monitoring cash flow.
2.1	The medium-term financial strategy is communicated to staff and stakeholders.
2.2	Profiled financial monitoring reports are produced within ten days of the month-end.
2.2	The financial performance of significant partnerships is reviewed.
2.2	There is a training programme in place for members and staff on financial issues.
2.3	A member has been allocated portfolio responsibility for asset management and local performance measures in relation to assets have been developed.
<b>Financial standing</b>	
3.1	Collection and recovery of material categories of income is monitored.

**20 Use of Resources Auditor Judgements | Appendix 1 – TCriteria which will gain 'must have' status for the next assessment**

<b>KLOE</b>	<b>Summary of criteria</b>
<b>Internal control</b>	
4.1	Appropriate staff are trained in risk management.
4.2	Standing orders, standing financial instructions and system procedure notes are reviewed and updated as appropriate.
4.2	Governance arrangements are in place for significant partnerships.
4.3	The Council is proactive in raising standards of ethical conduct among members and staff and can demonstrate that counter fraud and corruption work is adequately resourced.

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## USE OF RESOURCES – NEXT STEP DOCUMENT

## Use of Resources 2006 Summary

The table below sets out my assessment of our current standing against the new Use of Resources criteria for 2007 in the light of our 2006 judgement. I have checked my assessment with the District Auditor and have confirmed with him that the approach to improvement suggested in this document is an appropriate way forward.

KLOE (Key Lines of Enquiry)	Assessment	Target Score 2007	Actual Score 2006
<b>Financial reporting</b>	Our 2006 score represents a comfortable 3 for financial reporting.	<b>3</b>	<b>3</b>
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers	To get closer to the top of a 3, we need to ensure total consistency in approach from all areas in feeding in to the final accounts process.	3	3
1.2 The Council promotes external accountability	To achieve a 4, we need to: <ul style="list-style-type: none"> <li>• ‘wow’ the auditor on our accounts closure procedures – closing very early, with no errors and excellent working papers.; and</li> <li>• embed the improvements on public accountability.</li> </ul> <p>Given the change in timing of the Use of Resources assessment in 2007, achieving a 4 on both aspects of this KLOE is unlikely.</p>	4	3
<b>Financial management</b>	Our 2006 score for financial management is not a strong 3 score.	<b>3</b>	<b>3</b>
2.1 The Council’s medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	The improvements made over the last 12 months have been recognised but they need to embed to strengthen the current score. Given the change in timing of the Use of Resources assessment, insufficient time may be available to show that the cultural change in financial management has taken hold. A significant number of the criteria for KLOEs 2.1 and 2.2 have become ‘must haves’ for 2007 so they are likely to be examined in greater depth.	3	3
2.2 The Council manages performance against budgets.		3	3
2.3 The Council manages its asset base.	Whilst we have most of the expected building blocks in place for managing our asset base, my assessment is that we need to link asset planning into corporate and service planning processes in the same way that we have for cash resources. A dip in our current score could occur before we can consolidate our position.	2	3

## Use of resources

<b>Financial standing</b>	Our current score for financial standing is a strong 2.	<b>3</b>	<b>2</b>
3.1 The Council manages its spending within the available resources.	Improvement to a 3 in the 2007 assessment is possible with some further work on reserves and balances and improved accuracy of forecasting both over and under spending. This KLOE and that on financial management are linked.	3	2
<b>Internal control</b>	Our current score for internal control is a marginal 2.	<b>3</b>	<b>2</b>
4.1 The Council manages its significant business risks.	The weakest element of this KLOE is 4.3 with the District Auditor's particular concern being the extent to which we promote our policies for detecting and dealing with fraud and corruption.	3	2
4.2 The Council has arrangements in place to maintain a sound system of internal control.		3	2
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.		3	2
<b>Value for money</b>	Overall our 2006 score is a comfortable 3	<b>3</b>	<b>3</b>
5.1 The Council achieves good value for money.	However, we are stronger on achieving the outcome than we are on process despite the significant dip in some of our BVPIs in 2005/06 (e.g. benefits). The fact that these BVPIs are improving in 2006/07 will help strengthen next year's assessment but there is much work to do to ensure a consistent approach to efficiency review.	3	3
5.2 The Council manages and improves value for money.		3	3
<b>OVERALL SCORE</b>	Improving our overall Use of Resources score will require corporate effort to stand still given the change in timing of the judgement and a further tightening of the criteria. It is unlikely to result in an overall improvement in our 2007 score.	<b>3</b>	<b>3</b>

1. FINANCIAL REPORTING		
How good are the council's financial accounting and reporting arrangements?		
Key line of enquiry		
1.1 The council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers		
Audit Focus		
Evidence that:		
<ul style="list-style-type: none"> <li>• the council's accounts are compiled in accordance with statutory and professional reporting standards</li> <li>• the council's accounts are supported by comprehensive working papers</li> <li>• the accounts and supporting working papers are prepared and approved in accordance with relevant timetables</li> </ul>		
Level 2 Criteria for Judgement	Improvement opportunity in Use of Resources report 2006	Next Steps
* The council's accounts were prepared in accordance with statutory requirements, statutory/regulatory timetables, relevant accounting and reporting standards, and the council's agreed accounting policies.	None.	
* The auditor received auditable accounts, including a complete set of financial statements, disclosures and notes, in accordance with the timetable agreed with the audited body.	None.	
*The accounts submitted for audit presented fairly, but contained several non-trivial errors.	None.	
* Comprehensive working papers supporting the accounts were provided at the start of the audit to the standard specified by the auditor.	None.	
* Guidance made available to staff on final accounts closedown procedures, including relevant timetables agreed with the auditor and allocation of tasks to individual members of staff, were adhered to.	None.	

## Use of resources

* The council ensured that appropriate, knowledgeable and skilled staff were available to deal with external auditors' queries, to substantiate assertions, and to explain items of account.	None.	
* The auditor gave an unqualified opinion.	None.	
<b>Level 3 Criteria for Judgement</b>	<b>Improvement opportunity in Use of Resources report 2006</b>	<b>Next Steps</b>
* The accounts submitted for audit presented fairly and contained only a small number of non-trivial errors.	None.	Head of Financial Services and his team of accountancy managers will need to ensure that all the auditor's requests for information are dealt with promptly. A record of all such requests will be kept.
* All additional requests from the auditor were responded to promptly in accordance with any agreed deadlines. (now bold)	Although this is being achieved we need to note that this is now a 'must have' criteria.	
* The accounts submitted to the council/committee meeting at which they were approved were accompanied by an explanatory paper providing interpretation of the accounts and highlighting key issues for the benefit of members.	None.	
* The accounts were subject to robust member scrutiny prior to approval.	None.	
<b>Level 4 Criteria for Judgement</b>	<b>Improvement opportunity in Use of Resources report 2006</b>	<b>Next Steps</b>
The accounts submitted for audit presented fairly and contained only errors considered 'clearly trivial'.	None.	Head of Financial Services to review closing timetable for 2006/07 to ensure he has the opportunity to exercise quality control over all working papers submitted by the accountants.
The quality of the working papers provided was	Improve the quality of working papers from the	Head of Financial Services to review closing



## Use of resources

<p>exemplary.</p>	<p>capital team by providing full explanations in the working papers rather than references that say 'see capital accountant'.</p> <p>Improve the quality of analytical review undertaken by the Children &amp; Young Peoples finance team to reduce the need for the auditor to undertake follow-up work.</p>	<p>timetable for 2006/07 to ensure he has the opportunity to exercise quality control over all working papers submitted by the accountants.</p> <p>Head of Financial Services to review closing timetable for 2006/07 to ensure he has the opportunity to exercise quality control over all working papers submitted by the accountants.</p>
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1. FINANCIAL REPORTING		
How good are the council's financial accounting and reporting arrangements?		
Key line of enquiry		
1.2 The council promotes external accountability		
Audit Focus		
Evidence that:		
<ul style="list-style-type: none"> <li>the council publishes its accounts in accordance with statutory requirements</li> <li>the council publishes summary accounts/annual report in a way that is accessible to the public</li> </ul>		
Level 2 Criteria for Judgement	Improvement opportunity in Use of Resources report 2006	Next Steps
* The council publishes its accounts and publicises how local electors can exercise their rights, in accordance with the requirements of the Accounts & Audit Regulations 2003.	None.	
* The council publishes the annual audit letter in accordance with the requirements of the Accounts & Audit Regulations 2003.	None.	
* The agenda, reports and minutes for meetings of full council, committees and scrutiny panels are made available to the public (for example on the council's website) on a timely basis.	None.	
Level 3 Criteria for Judgement	Improvement opportunity in Use of Resources report 2006	Next Steps
* The council can demonstrate that it is considering the views of a range of stakeholders in making its decision whether to publish an annual report. (now bold)	Need to ensure that we consult stakeholders on the preferred format of the annual report. This is now a 'must have'.	Discuss with Head of Communications – need to write to key stakeholders with a copy of the current summary leaflet asking for comments / enclosing a questionnaire. This will back-up the invitation to comment already included in the document – only positive comment received.

## Use of resources

<p><b>* The council publishes summary financial information that meets the needs of a range of stakeholders. (now bold)</b></p>	None.	
<p><b>* The most recent published accounts, in either full or summary format, are available on the council's website.</b></p>	None.	
<p><b>* The most recent published annual audit letter is available on the council's website.</b></p>	None.	
<p><b>Level 4 Criteria for Judgement</b></p>	<p><b>Improvement opportunity in Use of Resources report 2006</b></p>	<p><b>Next Steps</b></p>
<p>The council publishes an annual report or similar document which includes summary accounts and an explanation of key financial information/technical terms designed to be understandable by members of the public.</p>	None.	
<p>The annual report or similar document is available in a wide variety of formats to meet local user needs (for example different languages, large print, speaking version).</p>	None.	

<b>2. FINANCIAL MANAGEMENT</b>		
<b>How well does the council plan and manage its finances?</b>		
<b>Key line of enquiry</b>		
2.1 The council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities		
<b>Audit Focus</b>		
Evidence that:		
<ul style="list-style-type: none"> <li>the council's corporate business plan (that sets out its aims and objectives) is linked to its financial planning and management</li> <li>the council's budgets and capital programme are based on robust medium-term financial projections and risk assessments</li> </ul>		
<b>Criteria for Judgement</b>		
<b>Level 2 Criteria for Judgement</b>	<b>Improvement opportunity in Use of Resources report 2006</b>	<b>Next Steps</b>
* The council 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.	None.	
* The medium-term financial strategy models' income and expenditure over a minimum of three years and is reviewed and updated at least annually.	None.	
* A comprehensive and balanced revenue budget has been set, based on realistic projections about pay, inflation, and known service and capital development plans.	None.	
* The financing of expenditure is transparently explained in budget summaries and reports.	None.	
* 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.	None.	
* An affordable capital programme has been	None.	

<p>agreed and the current and future funding of this is built into revenue planning.</p> <p>* Budget holders are involved in the budget setting process.</p> <p>* Budgets are subject to review by senior officers and members.</p> <p>* Each capital and revenue budget is assigned to the individual manager best able to use and control it.</p> <p>* The council undertakes cash-flow monitoring which is used to inform short- and long-term investment decisions. (now bold)</p> <p>* 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.</p> <p>* Prudential indicators are applied in assessing the affordability of capital projects.</p>	<p>None.</p> <p>None.</p> <p>None.</p> <p>None but need to note that this is now a 'must have'.</p> <p>None.</p> <p>None.</p>	<p>Head of Financial Services to review current arrangements to ensure they are in line with best practice and are feeding through to both budget setting and budget monitoring for the Financing Transactions budget page.</p>
<p><b>Level 3 Criteria for Judgement</b></p>	<p><b>Improvement opportunity in Use of Resources report 2006</b></p>	<p><b>Next Steps</b></p>
<p>* Business planning is integrated with financial planning.</p> <p>* The corporate business plan drives the medium-term financial strategy and internal resource allocation, with changes in</p>	<p>Need to ensure innovations during last financial year are embedded into the Council's culture.</p> <p>None.</p>	<p>Director of Resources / Head of Financial Services to maintain progress and close working relationship with Corporate &amp; Customer Services / Policy &amp; Performance Team.</p>

<p><b>allocations determined in accordance with policies and priorities.</b></p> <p>The corporate business plan 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 variations and requirements to improve efficiency</li> <li>• 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><b>* The council's medium-term financial strategy is linked to other internal strategies/plans as appropriate, such as human resources, IT.</b></p> <p><b>* The key messages from the council's medium-term financial strategy are communicated to staff and stakeholders as appropriate. (now bold)</b></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 this</b></li> <li>• <b>business and activity plans</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 council regularly reviews financial management arrangements to ensure that they remain 'fit for purpose', and keeps the financial services function under review to consider</p>	<p>Need to include a sensitivity analysis in the next update of the MTFMS.</p>	<p>Director of Resources / Head of Financial Services to update MTFMS for March Council to set Council Tax so this improvement is captured in the 2006/07 financial year.</p>
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<p>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>	<p>The new system for revenue budget options on the Invest to Save / Invest to Mitigate theme needs to embed.</p>	
<b>Level 4 Criteria for Judgement</b>	<b>Improvement opportunity in Use of Resources report 2006</b>	<b>Next Steps</b>
<p>The medium-term financial strategy describes in financial terms joint plans agreed with partners and other stakeholders.</p>	<p>Not yet assessed by the auditor.</p>	<p>Need to include in the next update of the MTFMS – areas for consideration include LAA, Section 31 Agreements. Director of Resources / Head of Financial Services to update MTFMS for March Council to set Council Tax so this improvement is captured in the 2006/07 financial year.</p>
<p>The medium-term financial strategy models balances and resource requirements over a minimum of three years.</p>	<p>Not yet assessed by the auditor.</p>	<p>Need to set minima and maxima for reserves and balances in the next update of the MTFMS. Director of Resources / Head of Financial Services to update MTFMS for March Council to set Council Tax so this improvement is captured in the 2006/07 financial year.</p>
<p>The council identifies future developments that may impact on its financial management arrangements and proactively manages them.</p>	<p>Not yet assessed by the auditor.</p>	<p>Need to ensure that the list of future developments that may impact on financial management arrangements included in the MTFMS is reviewed when during the next update - e.g. PST. Director of Resources / Head of Financial Services to update MTFMS for March Council to set Council Tax so this improvement is captured in the 2006/07 financial year.</p>
<p>The council monitors and can demonstrate how its financial plans and strategies have contributed to the achievement of its corporate objectives.</p>	<p>Not yet assessed by the auditor.</p>	<p>Need to ensure that the effectiveness of the current MTFMS is reviewed as it is next updated. Director of Resources / Head of Financial Services to update MTFMS for March Council to set Council Tax so this improvement is captured in the 2006/07 financial year.</p>

<b>2. FINANCIAL MANAGEMENT</b>		
<b>How well does the council plan and manage its finances?</b>		
<b>Key line of enquiry</b>		
2.2 The council manages performance against budgets		
<b>Audit Focus</b>		
Evidence that:		
<ul style="list-style-type: none"> <li>the council has arrangements in place for monitoring performance against budgets, taking corrective action where appropriate, and reporting the results to senior officers and members</li> <li>the council's financial information systems meet users' needs</li> </ul>		
<b>Level 2 Criteria for Judgement</b>	<b>Improvement opportunity in Use of Resources report 2006</b>	<b>Next Steps</b>
* Budgets are input to the main accounting system on a timely basis, at an appropriate level of detail.	None.	
* There is a formal scheme of budget delegation.	None.	
* There is guidance available to budget holders which includes a description of their responsibilities, an outline of the budget process, and a budget process timetable.	None.	
* Budgets are approved before the start of the year and monitored regularly throughout the year.	None.	
* Next Steps are developed when a material variance arises or a deficit is forecast.	None.	
* The appropriate member committee receives budget monitoring information that is accurate, relevant, understandable and consistent with underlying records, and data is as up to date as possible when reported.	None.	



## Use of resources

<p>* Relevant non-financial and financial information, in addition to the budget, is reported to and used by senior officers.</p>	<p>None.</p>	
<p>* There is a line of professional accountability between those with principal functional responsibility for finance within business groups and the chief finance officer, to ensure compliance with professional standards and objectivity of advice on financial matters.</p>	<p>None.</p>	<p>Implementing the new model for Financial Services across the whole Council will strengthen lines of professional responsibility. Director of Resources / Head of Financial Services to continue the discussion about the line management arrangements for the Children &amp; Young People Directorate with the new Director.</p>
<p>* 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.</p>	<p>None.</p>	
<p>* The council regularly tests its financial systems to ensure that their processes are secure.</p>	<p>None.</p>	
<p>* Where any significant departmental overspends have occurred they have been managed with no adverse impact on service delivery.</p>	<p>None.</p>	
<p>* The financial performance of significant partnerships is regularly reviewed, linked to outputs, and the results shared with partners and acted upon. (now bold)</p>	<p>None – although this is now a ‘must have’.</p>	<p>Head of Financial Services to review budget monitoring reports included in the bi-monthly IPR to see how / how often financial performance of key partners can be included. Most of this will be there by inference – may just be a case of being more explicit. Head of Financial Services to engage with PCT about greater information sharing.</p>

## Use of resources

Level 3 Criteria for Judgement	Improvement opportunity in Use of Resources report 2006	Next Steps
<p>The council's financial information systems have flexible reporting tools to enable specialist reports to be designed.</p> <p><b>* The council produces accurate and meaningful profiled financial monitoring reports for all budget holders within ten working days of the month end. (now bold)</b></p> <p><b>* There is a regular training programme providing training on financial issues for members and relevant non-finance staff. (now bold)</b></p> <p><b>* Relevant non-financial and financial information, in addition to the budget, is reported to members and acted upon.</b></p> <p><b>* The council 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 council's budget monitoring is:</b></p> <ul style="list-style-type: none"> <li>• predictive rather than backward looking</li> <li>• focused on large, high risk or volatile budgets</li> <li>• related to operational activity indicators that are lead indicators of spend</li> <li>• informed by a risk assessment.</li> </ul> <p><b>* Progress in achieving planned savings and</b></p>	<p>None.</p> <p>None – although this is now a 'must have'.</p> <p>Need to develop a training programme for members and deliver the training programme for officers that is currently being developed. This is now a 'must have'.</p> <p>None.</p> <p>None.</p> <p>None.</p> <p>None.</p>	<p>Head of Financial Services to check that the local performance indicators in the Financial Services Service Delivery Plan meet this standard and are achieved.</p> <p>Head of Financial Services to develop and implement training plan. Scrutiny Development Day in October 2006 refers. Build on post election opportunities for further member training. Need to link to internal control training provided by Audit Services Manager.</p>

## Use of resources

<p>efficiency gains is regularly reported to senior management with developed Next Steps.</p> <p><b>* No significant departmental overspends/under spends have occurred that were not identified as a risk which was taken into account in developing the council's reserves strategy, and the associated underlying budgetary pressures are being managed effectively over time.</b></p>	<p>Need to embed improvements in this area to ensure the accuracy of predicted under or over spends continues to improve.</p>	<p>Director of Resources / Head of Financial Services to discuss opportunities for Resources to take on line management of finance staff in line with the agreed principles underpinning the Directorate restructure to ensure appropriate professional support is provided to finance teams to secure further improvements in the quality of financial management services.</p>
<p><b>Level 4 Criteria for Judgement</b></p>	<p><b>Improvement opportunity in Use of Resources report 2006</b></p>	<p><b>Next Steps</b></p>
<p>The council 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>Not yet assessed by the auditor.</p>	<p>Head of Financial Services to review what we currently do and identify improvements necessary to demonstrate regular testing is carried out. Liaise with internal audit as their testing may be of assistance.</p>
<p>The Executive has reviewed its effectiveness and the leadership it provides with regard to financial management, and is taking appropriate action to address areas of weakness.</p>	<p>Not yet assessed by the auditor.</p>	<p>Director of Resources / Head of Financial Services to implement Resources Directorate restructure in consultation with CMB. Leader of the Council is responsible for strategic financial management whilst the Cabinet Member (Resources) is responsible for the performance of the Resources Directorate.</p>
<p>There is a 'traffic light' system (or similar) in place to focus the Executive on key variances, and there is evidence that these are acted upon.</p>	<p>Not yet assessed by the auditor.</p>	<p>Head of Financial Services to review approach and bring forward proposals by April 2007.</p>
<p>The Executive receives accrued financial monitoring reports at appropriate key points during</p>	<p>Not yet assessed by the auditor.</p>	

## Use of resources

<p>the year, including significant revenue account items and balances.</p> <p>The council consults with, advises and trains users so that it develops and provides the financial information systems to meet their needs.</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>	<p>Not yet assessed by the auditor.</p> <p>Not yet assessed by the auditor.</p>	<p>Head of Financial Services to put in place effective monitoring of efficiency gains.</p>
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2. FINANCIAL MANAGEMENT		
How well does the council plan and manage its finances?		
Key line of enquiry		
2.3 The council manages its asset base		
Audit Focus		
Evidence that:		
<ul style="list-style-type: none"> <li>the council has a capital strategy and fixed asset management plan</li> <li>the council reports to members on asset management</li> </ul>		
Level 2 Criteria for Judgement	Improvement opportunity in Use of Resources report 2006	Next Steps
* The council has an up-to-date corporate capital strategy linked to its corporate objectives and medium-term financial strategy.	None.	Successful appointment to the Head of Asset Management & Property Services role is key to making progress.
* The council has an up-to-date asset management plan that details existing asset management arrangements and outcomes, and planned action to improve corporate asset use.	None.	
* The council maintains an up-to-date asset register.	None.	
* The council has a designated corporate property function.	None.	
* The council's arrangements for reporting to members are sufficient to ensure that they fulfil their responsibility in relation to the council's land and buildings portfolio at both a strategic and service level.	None.	
* The council has an annual programme of planned maintenance based on a rolling programme of property surveys.	None.	
* The council has assessed the level of	None.	

## Use of resources

<p>backlog maintenance.</p> <p><b>* The council's capital programme gives priority to potential capital projects based on a formal, objective approval process.</b></p>	None.	
<b>Level 3 Criteria for Judgement</b>	<b>Improvement opportunity in Use of Resources report 2006</b>	<b>Next Steps</b>
<p><b>* A member has been allocated portfolio responsibility for the council's asset management. (now bold)</b></p> <p><b>* Members are aware of the level of backlog maintenance and have approved a plan to address it as appropriate.</b></p> <p><b>* The council has developed a set of local performance measures in relation to assets that evaluate asset use in relation to corporate objectives. (now bold)</b></p> <p><b>* The council makes investment and disposal decisions based on thorough option appraisal and whole life costing.</b></p>	<p>None.</p> <p>None.</p> <p>None – though now a 'must have'.</p> <p>None.</p>	<p>Successful appointment to the Head of Asset Management &amp; Property Services role is key to making progress.</p>
<b>Level 4 Criteria for Judgement</b>	<b>Improvement opportunity in Use of Resources report 2006</b>	<b>Next Steps</b>
<p>Performance measures and benchmarking are being used to describe and evaluate how the council's asset base contributes to the achievement of corporate and service objectives, including improvement priorities.</p> <p>The results of performance measurement and benchmarking are communicated to stakeholders where relevant.</p>	<p>None – not yet assessed by the auditor?</p> <p>None – not yet assessed by the auditor?</p>	<p>Successful appointment to the Head of Asset Management &amp; Property Services role is key to making progress.</p>

## Use of resources

The council has developed an approach for the coordination of asset management information and its integration with relevant organisational financial information.	None – not yet assessed by the auditor?	
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<b>3. FINANCIAL STANDING</b>		
<b>How well does the council safeguard its financial standing?</b>		
<b>Key line of enquiry</b>		
3.1 The council manages its spending within the available resources		
<b>Audit Focus</b>		
Evidence that:		
<ul style="list-style-type: none"> <li>the council is financially sound</li> <li>the council manages its levels of reserves and balances</li> <li>current spending plans match available resources</li> </ul>		
<b>Level 2 Criteria for Judgement</b>	<b>Improvement opportunity in Use of Resources report 2006</b>	<b>Next Steps</b>
* The council sets a balanced budget that takes account of cost pressures and the impact on council tax and housing rents.	None.	Head of Financial Services has already included a new section in the financial monitoring reports produced as part of the Integrated Performance Report (month 6). To be further developed.
* The council maintains its overall spending within budget.	None.	
* The council 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.	None.	
* The council monitors and maintains its levels of reserves and balances within the range determined by its agreed policy.	Include a new section in the routine financial monitoring reports to Cabinet included in the IPR on the level of revenue & capital reserves.	
* 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.	None.	
* The council has a treasury management	None.	



## Use of resources

<p>strategy that reflects the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services.</p> <p>* The council 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.</p> <p>* The council sets and monitors targets for all material categories of income collection and recovery of arrears, based on age profile of debt. (now bold)</p>	<p>None.</p> <p>The Council must set and monitor targets for all material categories of income collection and recovery of arrears based on age profile of debt – this is now a ‘must have’.</p>	<p>Head of Benefits &amp; Exchequer Services / Revenues Manager to address and incorporate targets into Benefit &amp; Exchequer Services Service Delivery Plan.</p>
<p><b>Level 3 Criteria for Judgement</b></p>	<p><b>Improvement opportunity in Use of Resources report 2006</b></p>	<p><b>Next Steps</b></p>
<p>* The council consistently maintains its spending within its overall budget and without significant unexpected overspends or underspends.</p> <p>* The council’s policy for reserves and balances is based on a thorough understanding of its needs and risks, and is properly and clearly reported to members.</p> <p>* Monitoring information is available that evaluates the effectiveness of debt recovery actions, associated costs, and the cost of not recovering debt promptly for material categories of income.</p>	<p>None.</p> <p>None.</p> <p>None – see Level 2 criterion above.</p>	<p>Head of Benefits &amp; Exchequer Services / Revenues Manager to address and incorporate targets into Benefit &amp; Exchequer Services Service Delivery Plan.</p>

<b>Level 4 Criteria for Judgement</b>	<b>Improvement opportunity in Use of Resources report 2006</b>	<b>Next Steps</b>
<p>Members monitor key financial health indicators and set challenging targets, for example for income collection, levels of variances from budget, prudential framework indicators, capital programme management. The council has a good track record of achieving these targets.</p>	<p>None – not yet assessed by the auditor?</p>	<p>Head of Financial Services / Head of Benefit &amp; Exchequer Services to develop and include in bi-monthly financial reports included in the Integrated Performance Report.</p>
<p>Where target levels for reserves and balances are exceeded, the council has identified and reported to members the opportunity costs of maintaining these levels and compared this to the benefits it accrues.</p>	<p>None – not yet assessed by the auditor?</p>	<p>Head of Financial Services to include in monitoring reports produced as part of the Integrated Performance Report.</p>

<b>4. INTERNAL CONTROL</b>		
<b>How well does the council's internal control environment enable it to manage its significant business risks?</b>		
<b>Key line of enquiry</b>		
4.1 The council manages its significant business risks		
<b>Audit Focus</b>		
Evidence that:		
<ul style="list-style-type: none"> <li>• the council has a risk management process in place</li> <li>• the risk management system covers partnership working</li> </ul>		
<b>Level 2 Criteria for Judgement</b>	<b>Improvement opportunity in Use of Resources report 2006</b>	<b>Next Steps</b>
<p>* The council has adopted a risk management strategy/policy that has been approved by members.</p> <p>* The risk management strategy/policy requires the council to:</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>* The council maintains and reviews a register of its corporate business risks linking them to strategic business objectives and assigning ownership for each risk.</p> <p>* Member responsibility for corporate risk management is identified in the terms of reference of one or more committees as appropriate.</p> <p>* Reports to support strategic policy decisions, and project initiation documents, include a risk assessment.</p>	<p>None.</p> <p>None.</p> <p>None.</p> <p>None.</p> <p>None.</p>	

## Use of resources

Level 3 Criteria for Judgement	Improvement opportunity in Use of Resources report 2006	Next Steps
<p><b>* The risk management process is reviewed and updated at least annually.</b></p> <p><b>* The risk management process specifically considers risks in relation to significant partnerships and provides for assurances to be obtained about the management of those risks.</b></p> <p><b>* All appropriate staff are given relevant training and guidance to enable them to take responsibility for managing risk within their own working environment. (now bold)</b></p> <p><b>* The members with specific responsibility for risk management have received risk management awareness training.</b></p> <p><b>* Members with responsibility for corporate risk management receive reports on a regular basis and take appropriate action to ensure that corporate business risks are being actively managed, including reporting to full council as appropriate.</b></p>	<p>The risk management process should be reviewed and updated at least annually.</p> <p>None.</p> <p>All appropriate staff should be offered relevant training.</p> <p>None.</p> <p>All significant risks should be included in the corporate risk log. The Council risk register must be clearly aligned to the Council's strategic objectives.</p>	<p>Head of Financial Services – ensure the annual review is carried out in line with the current corporate risk management policy.</p> <p>Head of Financial Services – check this is included in our corporate risk management policy if not include at next review.</p> <p>Head of Financial Services – ensure the training programme for key managers currently in development is delivered.</p> <p>Head of Financial Services – ensure regular refresher training is provided.</p> <p>Head of Financial Services – review procedures to ensure significant risks are captured during routine review of the corporate risk register and ensure format allows links to corporate priorities.</p>
Level 4 Criteria for Judgement	Improvement opportunity in Use of Resources report 2006	Next Steps
<p>A senior officer and member jointly champion and take responsibility for embedding risk management throughout the council.</p> <p>The council can demonstrate that it has embedded risk management in its corporate business</p>	<p>None – not yet assessed by the auditor?</p> <p>None – not yet assessed by the auditor?</p>	<p>Cabinet Member (Resources) and Director of Resources are member and officer 'risk champions'.</p> <p>Head of Financial Services – need to embed risk management at key manager level – implement</p>

## Use of resources

<p>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>All members receive risk management awareness training.</p> <p>The council considers positive risks (opportunities) as well as negative risks (threats).</p>	<p>None – not yet assessed by the auditor?</p> <p>None – not yet assessed by the auditor?</p>	<p>existing action plan.</p> <p>Head of Financial Services – include training as part of induction process for new members.</p> <p>Head of Financial Services – ensuring this is captured. Examples include Herefordshire Connects &amp; PST?</p>
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<b>4. INTERNAL CONTROL</b>		
<b>How well does the council's internal control environment enable it to manage its significant business risks?</b>		
<b>Key line of enquiry</b>		
4.2 The council has arrangements in place to maintain a sound system of internal control		
<b>Audit Focus</b>		
Evidence that:		
<ul style="list-style-type: none"> <li>the council reviews and reports on its system of internal control</li> <li>the council has an audit committee or equivalent and an internal audit function</li> </ul>		
<b>Level 2 Criteria for Judgement</b>	<b>Improvement opportunity in Use of Resources report 2006</b>	<b>Next Steps</b>
* An appropriate member group has responsibility for review and approval of the SIC and considers it separately from the accounts.	None.	
* The council has conducted an annual review of the effectiveness of the system of internal control and reported on this in the SIC.	None.	
* The sources of assurance to support the SIC have been identified and are reviewed by senior officers and members.	None.	
* There are Next Steps in place to address any significant internal control issues reported in the SIC.	None.	
* The core functions of an audit committee, as identified in the CIPFA guidance, are being undertaken by members.	None.	
* The council has an internal audit function that operates in accordance with the CIPFA code of practice for internal audit in local government.	None.	

## Use of resources

<p>* There are procedure notes/manuals in place for key financial systems.</p> <p>* The council has a business continuity plan in place which is reviewed on a regular basis. (now bold)</p> <p>* There are standing orders, standing financial instructions and a scheme of delegation in place.</p> <p>* The council has arrangements in place to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.</p> <p>* All reports to members have been formally considered for legal issues before presentation.</p> <p>* The council has identified its significant partnerships and has appropriate governance arrangements in place for each of them. (now bold)</p> <p>* The council has arrangements in place to ensure that it has a sound system of internal financial control, for example, carrying out regular bank reconciliations and reconciliations of major feeder systems. (now bold)</p>	<p>None.</p> <p>None – but note that this is now a ‘must have’.</p> <p>None.</p> <p>None.</p> <p>All reports submitted to Members must be formally considered for legal issues before presentation.</p> <p>None – but note that this is now a ‘must have’.</p> <p>Regular reconciliations of all significant financial systems should be carried out. Note that this is now a ‘must have’.</p>	<p>Seek assurances from Emergency Planning.</p> <p>Seek assurances from Monitoring Officer.</p> <p>Audit Services Manager to progress partners checklist.</p> <p>Audit Service Manager to work on basis that monthly reconciliation is needed.</p>
<p><b>Level 3 Criteria for Judgement</b></p>	<p><b>Improvement opportunity in Use of Resources report 2006</b></p>	<p><b>Next Steps</b></p>
<p>* The council has put in place an assurance framework that maps the council's strategic objectives to risks, controls and assurances.</p>	<p>The assurance framework should ore clearly map the strategic objectives to the risk register, controls and assurances.</p>	<p>Audit Services Manager to review format of information supplied to Audit &amp; Corporate Governance Committee.</p>

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<p>* <b>The assurance framework provides members with information to support the SIC.</b></p> <p>* <b>The council 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 Executive when required and provides for effective leadership on governance, financial reporting and audit issues. (now bold)</b></p> <p>* <b>The procedure notes/manuals for key financial systems are reviewed and updated as appropriate. (now bold)</b></p> <p>* <b>The standing orders, standing financial instructions and scheme of delegation are reviewed and updated as appropriate. (now bold)</b></p> <p>* <b>Compliance with standing orders, standing financial Instructions and the scheme of delegation is monitored by management, and any breaches identified and appropriate action taken.</b></p>	<p>None.</p> <p>None – but note that this is now a ‘must have’.</p> <p>None – but note that this is now a ‘must have’.</p> <p>None – but note that this is now a ‘must have’.</p> <p>None.</p>	<p>Audit Services Manager to double check Audit &amp; Corporate Governance Committee arrangements against codes of practice.</p> <p>Audit Services Manager to ensure procedure notes / manuals are checked as part of each fundamental system review.</p> <p>Head of Financial Services / Audit Services Manager to review to ensure compliance with best practice – annually thereafter.</p>
<p><b>Level 4 Criteria for Judgement</b></p>	<p><b>Improvement opportunity in Use of Resources report 2006</b></p>	<p><b>Next Steps</b></p>
<p>The assurance framework is fully embedded in the council’s business processes.</p> <p>The council can demonstrate corporate involvement in/ownership of the process for preparing the SIC.</p>	<p>None – not yet assessed by the auditor?</p> <p>None – not yet assessed by the auditor?</p>	<p>Maintain current progress.</p> <p>Maintain current progress.</p>



## Use of resources

<p>An audit committee has been established that is independent of the executive function, with terms of reference that are consistent with CIPFA's guidance. It provides effective challenge across the council 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>None – not yet assessed by the auditor?</p>	<p>Maintain current progress.</p>
<p>The standing orders, standing financial instructions and scheme of delegation make specific reference to partnerships.</p>	<p>None – not yet assessed by the auditor?</p>	<p>Audit Services Manager to review.</p>
<p>Governance arrangements with respect to partnerships are subject to regular review and updating.</p>	<p>None – not yet assessed by the auditor?</p>	<p>Audit Services Manager to review.</p>

<b>4. INTERNAL CONTROL</b>		
<b>How well does the council's internal control environment enable it to manage its significant business risks?</b>		
<b>Key line of enquiry</b>		
4.3 The council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business		
<b>Audit Focus</b>		
Evidence that:		
<ul style="list-style-type: none"> <li>• the council has adopted codes of conduct and monitors compliance</li> <li>• the council's arrangements to prevent and detect fraud and corruption are effective</li> </ul>		
<b>Level 2 Criteria for Judgement</b>	<b>Improvement opportunity in Use of Resources report 2006</b>	<b>Next Steps</b>
<p>* <b>The council has formally adopted a code of conduct for members that includes the mandatory provisions of the statutory Model Code of Conduct.</b></p> <p>* <b>All elected and co-opted members have signed up to the code of conduct.</b></p> <p>* <b>The council has adopted a code of conduct for staff.</b></p> <p>* <b>The council has put in place arrangements for monitoring compliance with standards of conduct across the council including:</b></p> <ul style="list-style-type: none"> <li>• register of interests</li> <li>• register of gifts and hospitality</li> <li>• complaints procedure.</li> </ul> <p>* <b>The standards committee's membership and functions are in accordance with the requirements of the Local Government Act 2000.</b></p>	<p>Needs review.</p> <p>None.</p> <p>Needs review.</p> <p>There should be some tightening of the rules around the receipt of gifts and hospitality.</p> <p>None.</p>	<p>Monitoring Officer to review and update.</p> <p>Monitoring Officer needs to ensure all new members post election sign to say they have received, read, understood and are happy to abide by the Members Code of Practice. Include in induction training.</p> <p>Monitoring Officer to review and update and make arrangements for staff training.</p> <p>Monitoring Officer to review in conjunction with Audit Services Manager.</p>

## Use of resources

<p>* There is a counter fraud and corruption policy applying to all aspects of the council's business which has been communicated throughout the council.</p> <p>* The council has arrangements in place to receive and investigate allegations of breaches of proper standards of financial conduct, and of fraud and corruption.</p> <p>* There is a whistleblowing policy that has been communicated to staff and those parties contracting with the council.</p> <p>* The council 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.</p>	<p>Needs review.</p> <p>Needs review.</p> <p>Needs review.</p> <p>None.</p>	<p>Audit Services Manager to review and update as necessary.</p> <p>Audit Services Manager to review and update as necessary.</p> <p>Monitoring Officer to review arrangements for promoting the Council's whistle blowing policy.</p>
<p><b>Level 3 Criteria for Judgement</b></p>	<p><b>Improvement opportunity in Use of Resources report 2006</b></p>	<p><b>Next Steps</b></p>
<p>* <b>The council is proactive in raising the standards of ethical conduct among members and staff, including the provision of ethics training. (now bold)</b></p> <p>* <b>The council 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.</b></p> <p>* <b>Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and pecuniary interests. There is</b></p>	<p>Needs review. Note this is now a 'must have'.</p> <p>Needs review.</p> <p>There should be some tightening of the rules around the receipt of gifts and hospitality.</p>	<p>Monitoring Officer to review our arrangements and ensure proactive approach to publicising expected standards of conduct.</p> <p>Monitoring Officer to review standards of conduct. Regular reports on the number of complaints are already in hand.</p> <p>Monitoring Officer to review policy and procedures and ensure wide publicity on an ongoing basis.</p>

## Use of resources

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<p>evidence that members and staff are making appropriate disclosures in the registers and that they are regularly reviewed.</p> <p><b>* A strong counter fraud culture is supported and promoted by members and senior officers.</b></p> <p><b>* The council undertakes proactive counter fraud and corruption work which is determined by a formal risk assessment.</b></p> <p><b>* The council can demonstrate that counter fraud and corruption work is adequately resourced. (now bold)</b></p> <p><b>* Investigations into allegations of fraud and corruption are conducted in 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 is publicised within the council and demonstrates the council's commitment to providing support to whistleblowers.</b></p> <p>The council has effectively identified the key NFI data matches for review from all levels of reports (high, medium and low).</p> <p>The council works with other bodies such as DWP when following-up data matches from NFI. Risks are followed-up promptly to prevent prolonged exposure.</p> <p>Weaknesses revealed by instances of proven fraud and corruption, including NFI data matches,</p>	<p>None.</p> <p>None.</p> <p>None.</p> <p>None.</p> <p>Needs review.</p> <p>None.</p> <p>None.</p> <p>None.</p>	<p>Monitoring Officer to review and ensure wide publicity within the Council and with partners and suppliers on an ongoing basis.</p>
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## Use of resources

are reviewed to ensure that appropriate action is taken to strengthen internal control arrangements.		
<b>Level 4 Criteria / Descriptors for Judgement</b>	<b>Improvement opportunity in Use of Resources report 2006</b>	<b>Next Steps</b>
<p>The council can demonstrate that its members and staff exhibit high standards of personal conduct.</p> <p>The council can demonstrate a strong counter fraud culture across all departments. Staff have clearly acknowledged and accepted their responsibility to prevent and detect fraud and corruption.</p> <p>The risk of fraud and corruption is specifically considered in the council's overall risk management process.</p> <p>The use of publicity in successful cases of proven fraud/corruption is routinely considered to raise awareness.</p> <p>The council has a track record for effective action in response to whistleblowing disclosures. There are periodic reviews of the effectiveness of the whistleblowing arrangements, and there are effective arrangements for receiving and acting upon disclosures from members of the public.</p> <p>The council can demonstrate that effective action has been taken to maximise the potential savings available through NFI.</p>	<p>There should be some tightening of the rules around the receipt of gifts and hospitality.</p> <p>None.</p> <p>Needs review.</p> <p>None.</p> <p>Needs review.</p> <p>None.</p>	<p>Monitoring Officer needs to review with support from Audit Services Manager.</p> <p>Head of Financial Services to check that the existing corporate risk management policy and procedures covers the risk of fraud &amp; corruption, including improvements at next annual update of the policy.</p> <p>Audit Services Manager to review arrangements. Need to ensure Monitoring Officer has a process for following up issues that affect his areas of responsibility and that S151 Officer has similar where there are financial considerations. This will allow improvements to be made to the corporate governance framework as necessary.</p>

<b>5. VALUE FOR MONEY</b>		
<b>Key line of enquiry</b>		
5.1 The council currently achieves good value for money		
<b>Audit Focus</b>		
Evidence that:		
<ul style="list-style-type: none"> <li>• costs compare well with others allowing for external factors</li> <li>• costs are commensurate with service delivery, performance and outcomes achieved</li> <li>• costs reflect policy decisions</li> </ul>		
<b>Level 2 Criteria / Descriptors for Judgement</b>	<b>Improvement opportunity in Use of Resources report 2006</b>	<b>Next Steps</b>
There is a positive relationship between costs and the range, level and quality of services provided, including overheads and capital costs.	None.	Head of Financial Services / Strategic Procurement & Efficiency Review Manager to review current self-assessment.
Overall costs and unit costs for key services are not significantly higher than other councils providing similar levels and standards of services, allowing for the local context.	None.	
Significant unintended high spending is identified and there are plans in place to address it.	None.	
Areas of higher spending are in line with stated priorities.	None.	
The council has a well managed capital programme linked to priorities, with projects usually completed on time and on budget.	None.	
<b>Level 3 Criteria for Judgement</b>	<b>Improvement opportunity in Use of Resources report 2006</b>	<b>Next Steps</b>
The council ensures that a range of quality services is delivered appropriate to statutory duties and local needs, while maintaining relatively low overall costs including overheads and capital.	None.	

## Use of resources

<p>Overall costs and unit costs for key services demonstrate best value compared to other councils providing similar levels and standards of services and allowing for the local context.</p> <p>Unintended high spending is identified and is being addressed.</p> <p>Areas of higher spending are in line with stated priorities and the investment results in improved services.</p> <p>The council has a well managed capital programme linked to priorities, with most projects completed on time and within budget.</p>	<p>Embed improvement in understanding of cost pressures and medium-term financial planning.</p> <p>Need to ensure significant service overspends are robustly tackled.</p> <p>None.</p> <p>None.</p>	<p>Director of Resources / Head of Financial Services to maintain progress and close working relationship with Corporate &amp; Customer Services / Policy &amp; Performance Team. Work has commenced with Adult Services unit cost for access assessment and care management.</p> <p>Needs analysis for Adult Social Care refers.</p>
<p><b>Level 4 Criteria for Judgement</b></p>	<p><b>Improvement opportunity in Use of Resources report 2006</b></p>	<p><b>Next Steps</b></p>
<p>The council 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> <p>High performance is achieved across a range of key services while costs demonstrate best value compared to others.</p> <p>The council 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</p>	<p>None.</p> <p>None.</p> <p>None.</p> <p>None.</p>	<p>Need to demonstrate improvements have embedded.</p> <p>Improving BVPI performance will strengthen our current position.</p> <p>Need time to elapse to demonstrate track record of improved financial management. Links to improving accuracy of financial monitoring reports.</p> <p>New invest to Save / Invest to Mitigate approach to</p>

## Use of resources

<p>leading to improved outcomes for users and sustainable efficiency gains. New investment is supported by clear targets and timescales for measuring improvement.</p> <p>The council 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.</p>	<p>None.</p>	<p>budget options will demonstrate this in time.</p> <p>Need to ensure arrangements for post implementation review of major capital projects are adhered to. E.g. Whitecross School.</p>
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5 VALUE FOR MONEY		
<b>Key line of enquiry</b> 5.2 The council manages and improves value for money		
<b>Audit Focus</b>		
Evidence that:		
<ul style="list-style-type: none"> <li>the council monitors and reviews value for money</li> <li>the council has improved value for money and achieved efficiency gains (limited to the last three years)</li> <li>procurement and other spending decisions take account of full long-term costs</li> </ul>		
Level 2 Criteria for Judgement	Improvement opportunity in Use of Resources report 2006	Next Steps
There is some information on costs and how these compare to others and to the quality of services but this is not fully understood. Managers use this information to review value for money and report to members.	None.	Head of Financial Services / Procurement & Efficiency Review Manager to review current self-assessment.
The information on costs and quality of services includes information on equity across the whole community.	None,	
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 users of changes in spending levels.	None.	
Processes for reviewing and improving value for money are in place and have led to some improvements in value for money.	None.	
Targets are set and applied to improve efficiency and value for money.	None.	
The council has produced and is delivering on an	None.	

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## Use of resources

<p>efficiency plan to achieve the cumulative Efficiency Review target of 7.5 per cent gains over a three-year period.</p> <p>The council has effective procurement practices and can demonstrate improvements in value for money from significant procurement exercises. It has explored options for joint procurement and works with the LSP and other partners to improve value.</p> <p>Procurement decisions are not based solely on lowest cost options but reflect the best combination of cost and quality.</p> <p>Internal reviews are carried out (in line with Best Value legislation) and achieve significant improvements in value.</p> <p>Investment is made in underperforming-services to secure future improvements in value for money.</p> <p>External funding is sought where appropriate to support local priorities.</p>	<p>Corporate approaches to procurement are still not well developed.</p> <p>None.</p> <p>None.</p> <p>None.</p> <p>None.</p>	<p>New Procurement &amp; Efficiency Review Manager started in post at the end of November 2006 and will be addressing recommendations in the Audit Commission's review of procurement.</p>
<p><b>Level 3 Criteria for Judgement</b></p>	<p><b>Improvement opportunity in Use of Resources report 2006</b></p>	<p><b>Next Steps</b></p>
<p>There is clear information on costs and how these compare to others and to the quality of services achieved currently and over time. Members and managers routinely use this information to review and challenge value for money throughout services and corporately.</p> <p>The council 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</p>	<p>None.</p> <p>None.</p> <p>None.</p>	

## Use of resources

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<p>access and value for money across the whole community.</p> <p>Achieving and improving value for money is being embedded in the council's culture, for example, through the performance appraisal system.</p> <p>Members, senior managers and service managers manage costs alongside quality of services and responding to local needs. The impact on users 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 services and have led to improved value for money.</p> <p>There is clear evidence that the council sets and achieves ambitious targets to improve efficiency and value for money corporately and in services. Targets are used 'intelligently' to reflect potential for improvement.</p> <p>The council has produced and is delivering on an efficiency plan to achieve at least the cumulative Efficiency Review target of 7.5 per cent gains over a three-year period.</p> <p>The council uses best procurement practice, knows where the greatest benefits can be gained and acts on these effectively. Opportunities for joint procurement with partners are actively pursued and the council works with the LSP and other partners to improve value for money.</p>	<p>Issue updated guidance to services on measuring efficiencies, and improve the assurance arrangement to ensure that efficiency gains are robustly stated.</p> <p>Ensure robust approaches to benchmarking in all service areas, and ensure that challenge (e.g. Scrutiny) is robust.</p> <p>Ensure improvements in value for money are accounted for in a straightforward and transparent way, by improving service planning and reporting arrangements.</p> <p>Embed the improvements made in planning for and delivering value for money, e.g. Herefordshire Connects.</p> <p>None.</p> <p>None.</p>	<p>Head of Financial Services / Procurement &amp; Efficiency Review Manager to develop Next Steps.</p> <p>Head of Financial Services / Procurement &amp; Efficiency Review Manager to develop Next Steps.</p> <p>Head of Financial Services / Procurement &amp; Efficiency Review Manager to develop Next Steps.</p> <p>Head of Financial Services / Procurement &amp; Efficiency Review Manager to develop Next Steps.</p>
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## Use of resources

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<p>Procurement decisions seek to achieve the greatest benefit to the wider community, for example securing economic, social 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>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. The council has a successful track record of securing external funding and using it to deliver required outcomes and increased value for local people.</p>	<p>None.</p> <p>None.</p> <p>None.</p> <p>None.</p>	
<p><b>Level 4 Criteria for Judgement</b></p>	<p><b>Improvement opportunity in Use of Resources report 2006</b></p>	<p><b>Next Steps</b></p>
<p>The council 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 services and corporately.</p> <p>The council 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>None – not yet assessed by the auditor.</p> <p>None – not yet assessed by the auditor.</p>	

## Use of resources

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<p>The council can demonstrate that there is equity in access to services across the community.</p>	<p>None – not yet assessed by the auditor.</p>	
<p>Achieving and improving value for money is integral to the council's performance management arrangements, and this results in high levels of understanding and awareness across the organisation.</p>	<p>None – not yet assessed by the auditor.</p>	
<p>There is a strong track record of managing costs alongside quality of services and responding to local needs. The impact on users is assessed and then tracked to ensure that costs are not simply cuts without regard to outcomes.</p>	<p>None – not yet assessed by the auditor.</p>	
<p>Innovative approaches for improving cost-effectiveness are used where appropriate and have achieved significant improvements in value for money.</p>	<p>None – not yet assessed by the auditor.</p>	
<p>The council has a sustained track record of driving improvements in services and value for money through effective use of targets.</p>	<p>None – not yet assessed by the auditor.</p>	
<p>The council has integrated efficiency review into its performance management and is exceeding its own targets for achieving at least the national cumulative Efficiency Review target of 7.5 per cent over three years.</p>	<p>None – not yet assessed by the auditor.</p>	
<p>The council has successfully used joint procurement to improve value for money and service standards across a range of key services.</p>	<p>None – not yet assessed by the auditor.</p>	
<p>Significant community benefits, eg, economic, social or environmental, have been delivered through joint analysis of local needs, planning and</p>	<p>None – not yet assessed by the auditor.</p>	

## Use of resources

<p>procurement with key partners.</p> <p>Systematic reviews have covered all major functions and the findings are acted upon, leading to significant improvements in services and value for money.</p> <p>Significant areas of previous underperformance 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>	<p>None – not yet assessed by the auditor.</p> <p>None – not yet assessed by the auditor.</p> <p>None – not yet assessed by the auditor.</p>	
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## **AUDIT SERVICES UPDATED INTERIM ASSURANCE REPORT**

**Report By: Audit Services Manager**

### **Wards affected**

County-wide

### **Purpose**

The purpose of the updated Interim Assurance Report is to update members on work status and to bring to their attention any key internal control issues.

### **Financial Implications**

None.

### **Recommendation**

**THAT the report be noted.**

### **Reasons**

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

### **Considerations**

2. The Interim Assurance Report was presented to The Audit Committee and Corporate Governance Committee on 8<sup>th</sup> December 2006.
3. 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**

4. 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. Members requested an update on Audit recommendation made. A recommendation follow up has been completed and its findings form a separate report to this Committee.

### **Recommendations made**

5. 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.

6. Four critical 1 recommendations were reported previously. Three relate to CRB procedures and one to inventory records. The Audit Services Manager, the Legal Practice Manager and the Human Resources Manager will be developing guidance with regards to CRB procedures. In relation to inventory records, the Head of Financial Services has developed Accounting Guidelines, which are in the process of being finalised and sent out to Key Managers and Headteachers.
7. Three more Critical 1 recommendations need to be reported, all three relate to the fundamental system ICT FMS and Procurement and cover the need for improved controls over payments, better reconciliation to Cedar, and budgets to be set.
8. The Audit Services Manager has met the Director of Corporate and Customer Services and the Head of ICT and Customer Services and agreed a way forward to meet the recommendations.

### **Risk Management**

9. If the Head of ICT and Customer Services does not take action on the critical recommendations made by Audit Services it is likely that the system controls could become a matter of concern.
10. The Council has in place a Statement of Internal Control Assurance framework and part of this process involves actions arising from Audit Reports. Lack of action by the Head of ICT and Customer Services could adversely affect the score for the Use of Resources.

### **BACKGROUND PAPERS**

- Code of Practice for Internal Audit 2006



## STATUS OF AUDITS STARTED DURING THE YEAR

<b>Audit</b>	<b>Status</b>	<b>Audit Opinion</b>
<b>Fundamental Systems</b>		
Statement on Internal Control-2005/6	Final	Satisfactory
Creditors	Final	Satisfactory
Education Transport	Final	Marginal
Bank Reconciliation	Final	Satisfactory
Salaries and Wages- Non Education	Final	Satisfactory
Housing Benefit Payments	Draft with Audit Manager	
Early Years Development	Final	Satisfactory
Salaries and Wages- Education	WIP	
ICT FMS and Procurement	Draft with Client	
FMS- Main Accounting Systems	Draft with Audit Manager	
NDR	Draft with Audit Manager	
Debtors	WIP	
Supporting People	WIP	
Council Tax	WIP	
<b>Non Fundamental Systems</b>		
Members Expenses/Register of Interest	Final	Satisfactory
Creditor Emergency Payments	Final	Satisfactory
Aftercare/Care Leavers Payments	Draft with Client	
Car Loans	Final	Marginal
<b>Performance Management</b>		
Children Services Performance Management and Delivery of the JAR Action Plan	Final	Marginal
Performance Management Framework	Final	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
<b>ICT</b>		
Adult Services- CLIX System Controls	Final	Unsatisfactory
Acquisition of Equipment	WIP	

## STATUS OF AUDITS STARTED DURING THE YEAR

<b>Audit</b>	<b>Status</b>	<b>Audit Opinion</b>
Homepoint System	Final	Marginal
Management of Software Licences	Draft with Client	
CAPS	Final	Marginal
<b>Establishment Audits</b>		
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
<b>Verification and Probity</b>		
Waste Management Contract	WIP	
Whitecross SSCO	Final	N/a
Minster SSCO	Final	N/a
<b>Recommendation Follow up</b>		
Hereford Museum	Draft with Client	
E-Gateway- Audit Commission Recommendations	Draft with Client	
<b>Value for Money</b>		
Postage	Final	N/a
Telephones	Final	N/a

## Quantification and Classification of Internal Control Levels

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

## **CLIX ICT SYSTEM REVIEW – RECOMMENDATION FOLLOW UP**

**Report By: Audit Services Manager**

### **Wards Affected**

County-wide.

### **Purpose**

To update Members of the Audit and Corporate Governance Committee on the current status of audit recommendations made.

### **Financial Implications**

None identified, however if fundamental changes were made to the current system there might be some costs involved.

### **RECOMMENDATION**

**THAT the report be noted.**

### **Reasons**

The Audit Services Interim Assurance Report to the Audit and Corporate Governance Committee on 8<sup>th</sup> December 2006 highlighted the CLIX system as an area of concern with regards to functionality and security. The Committee was informed that Audit recommendations had been made. The Committee requested that they were kept up to date on progress in relation to the recommendations made.

### **Considerations**

1. The CLIX system is a Client Index System that holds details of clients and provides data to support performance management information. It was previously identified that CLIX required replacing, which was due to be completed during 2004/5.
2. The Herefordshire Connects programme has subsequently provided the opportunity for a more comprehensive corporate solution which should enable a replacement to the CLIX system to be fully operational by Summer 2008. This will give officers time to ensure that the data transfer has been completed and the required tests have been completed satisfactorily.
3. The table below summarises the current position with regards to the recommendations made:

<b>Recommendation</b>	<b>Number</b>	<b>Completed</b>	<b>Ongoing</b>
Level 1	1	0	1
Level 2	20	12	8
<b>Total</b>	<b>21</b>	<b>12</b>	<b>9</b>

4. Progress is being made to reinforce processes and to regularly report on missing data from CLIX and where targets are not being met, this combined with quality reviews of files will lead to improved accuracy, consistency and completeness of data on the system.
5. Controls have now been put in place to formally record authorisation, registration and de-registration of CLIX users. User access and rights are now reviewed quarterly.
6. A number of controls identified as being missing that relied on a system upgrade i.e. prompting users to change their password, were discussed and manual methods of control have been agreed with the Information System Manager.
7. The creation of system operating procedures is ongoing.
8. Whilst work will continue to ensure the CLIX system operates as efficiently as possible it is now reaching the end of its useful life. The Herefordshire Connects programme will provide the opportunity to deliver an efficient modern system. The procurement process for Herefordshire Connects has commenced and it is anticipated that the replacement for the CLIX system will be fully operational by Summer 2008.

## **Risk Management**

If action is not taken by the Information System Manager on the recommendations made by Audit Services it is likely that the system controls will continue to be a matter of concern.

## **BACKGROUND PAPERS**

CLIX Audit Report

**BENEFIT CORPORATE PERFORMANCE  
ASSESSMENT AND BENEFIT CHANGES APRIL 2007****Report By: Head of Benefit and Exchequer Services****Wards Affected**

County-wide.

**Purpose**

To advise Members on the Benefit Fraud Inspectorates Corporate Performance Assessment report and the Benefit Intervention changes.

**Financial Implications**

None identified.

**RECOMMENDATION**

**THAT the 2006 Benefit Corporate Performance Assessment rating and the Benefit changes effective from April 2007 be noted.**

**Benefits CPA**

1. The Benefit Fraud Inspectorate report for the 2006 Corporate Performance Assessment was released at the end of November. This assessment was based on performance figures for 2005/6 and these figures reflect the adverse impact on benefit processing times following the implementation of new software in March 2005.
2. In the previous Corporate Performance assessment in 2005 the Benefit Fraud Inspectorate accepted that the 2005 performance figures were not representative of the Council's overall performance and applied exceptional circumstances, which resulted in a 'Good' categorisation for benefits at that time.
3. Whilst the Benefit Fraud Inspectorate report for the 2006 Corporate Performance Assessment acknowledges that the Benefit service has made significant improvements in performance since their 2005 assessment, the inspectors felt unable to reflect this in the scoring process, hence they reduced the Corporate Performance Assessment rating from 'Good' to 'Fair'. The improved performance has continued in 2006/7 with figures for the year to date of 32 days for new claims and 17 days for changes, compared to average figures for 2005/6 of 52 days for claims and 42 days for changes.
4. This overall improvement, coupled with the better intervention (case review) results reported to a previous meeting of this Committee, means the Benefit Service is now on target to return to the 'Good' categorisation for Corporate Performance Assessment in 2007 and provides a sound basis for us to achieve our aim of an 'Excellent' rating for Benefits by 2008.

## Benefit Changes

5. The planned benefit changes from April 2007 remove the requirement to complete a set number of interventions each year and instead set a target for the overall number of benefit changes processed that result in a reduction or termination in benefit.
6. The 2007/8 target for Herefordshire is 9,840 changes and we are analysing the number of changes completed in the current year that have produced a reduction in benefit to see how this compares to the target. In addition, an action plan is being formulated to deal with implementing this new requirement.

## Risk Management

The Council has in place a Statement of Internal Control Assurance framework and part of this process involves actions arising from the Council's Annual Audit and Inspection letter and associated reports. Lack of action by the Council could adversely affect the score for the Use of Resources.

## BACKGROUND PAPERS

Report from the Benefit Fraud Inspectorate – CPA 2006  
Benefit Circular A/20 – Changes to Interventions

## **MANAGING PERFORMANCE MANAGEMENT**

**Report By: Director of Corporate and Customer Services**

### **Wards Affected**

Countywide.

### **Purpose**

To consider and approve the action plan attached at Appendix 1. This has been developed as the Council's response to the recommendations of the recent audit of performance management. When finalised, this action plan will be sent to the Audit Commission.

### **Financial Implications**

There are no financial implications

### **RECOMMENDATION**

**THAT the action plan at Appendix 1 be approved and, subject to final drafting amendments, be submitted to the Audit Commission as the Council's response to the recent audit of its performance management arrangements.**

### **Reasons**

1. In 2005, the corporate assessment process found that performance management was the weakest area of the Council's overall arrangements. The Audit Commission has now re-examined performance management and assessed progress over the last twelve months. The two-week audit covered processes, systems and procedures as well as the extent to which these are now embedded in the culture of the Council. Three key services were used to test the development of a performance management culture – adult social care, children's social care and benefits.
2. The main conclusion of the audit is that the Council is making steady progress in strengthening its performance management arrangements and in embedding a performance culture. However the report makes it very clear that the Council still has a long way to go and needs to move even faster in future if it is to bridge the gap between itself and what the Commission has identified as best practice local authorities.
3. The audit report makes fourteen recommendations. Performance management has been the subject of considerable work and investment since the corporate assessment in 2005 and is one of the key areas in the overall improvement plan and central to the Herefordshire Connects transformation programme. The audit clearly expects the Council to

maintain its current focus on:

- streamlined, fit for purpose processes and, crucially,
- establishing a culture of continuous improvement across members and officers

if it is to achieve, and demonstrate that it is achieving, fundamental service improvement over the next 12 months.

4. The audit was undertaken as part of the 2006/07 audit & inspection plan. It is likely that the adequacy of the council's performance management arrangements will continue to be scrutinised by the Audit Commission and other inspectorates. The ways in which this will be done are not yet clear.
5. It is important to remember that this audit did not examine the actual performance of the council's services. These are the subject of individual, annual, service assessments or inspections. This audit examined the adequacy of the council's arrangements for securing high performance.
6. The council's response needs to be robust, to have wide ownership and to be communicated well across the organisation, with partners and to the public if it is to succeed. The planned consultations are intended to maximise the chances of success, meet any future requirement of the auditors / inspectors and public expectations of quality public services.

## **Considerations**

7. The action plan at Appendix 1 is not simply a list of tasks to be completed; a more comprehensive view of the Councils activities and future challenges is required. Amongst these challenges are the recently published local government White Paper - *Strong and prosperous communities*, the Herefordshire Connects change programme and the creation of a Public Services Trust. The challenge of the audit is just as fundamental and far-reaching as these three and the Council's response cannot be seen in isolation from them. Because of this the action plan consists of a programme of concerted action that brings together a wide range of activities and will result in changes to the way in which the Council and its partners behave.
8. Two recommendations are of fundamental strategic importance and need to be considered first. They are:

Recommendation 5: Decide on the extent to which the Council will integrate its own service planning, priorities and performance management arrangements with those of its key partners in the Herefordshire Partnership

Recommendation 1: Construct and communicate a high-level model that clearly and simply identifies how the Council intends to assess and measure its level of performance and rate of improvement



9. Recommendation 5 is of the most importance over the medium to long-term, since the view we take about it will provide the context within which all the other recommendations, including Recommendation 1, will need to be developed.
10. Recommendation 5 is critical because the recent local government White Paper, *Strong and prosperous communities*, expects local authorities to lead partnerships, as first among equals, to improve their communities and quality of life. The current Comprehensive **Performance** Assessment of local authorities will be replaced with a new Comprehensive **Area** Assessment; buttressed by the new duty to co-operate that will be placed on most partners. There will also be increasing pressure to achieve large-scale efficiency savings through partnership. The action plan is the start of our preparations for this new system.
11. All this points to the need for the fullest possible integration of the Council's planning, priorities and performance management with its key partners in the *Herefordshire Partnership*. This model is already operating in one part of the Council: Children and Young People's Services. The strong improvements over the past year in the *Herefordshire Partnership's* performance management arrangements provide a good platform; but the White Paper requires us to go a good deal further. The intention to create a Public Service Trust with the PCT in the coming months provides an immediate challenge and opportunity in this respect.
12. Working with partners to develop well-integrated planning and performance arrangements will take time and patient negotiation; but, with the White Paper changes beginning to take effect from 2008, it would seem prudent to aim for them to be in place by April of that year. The action plan includes this assumption
13. However, rapid improvement in the Council's performance cannot wait until then. That means that, in parallel with developing the longer-term arrangements with partners, we must put in place our own improved arrangements in the coming months, with a view to their operating from 1 April 2007. These include the recommendations of the recently completed, annual, internal audit report on performance management. These arrangements would then be further developed into the longer-term partnership model.
14. The other recommendations are all important and tackling them will help the Council to improve. But all of them need to be taken forward in the context of what is agreed in respect of recommendations 5 and 1. That's why the draft action plan starts with these two recommendations. Then follow the most significant of the recommendations that are directly related to the implementation of 5 and 1, these are recommendations 6 and 8. After this the action plan deals with the remaining recommendations in as close to numerical order as is possible. The internal audit recommendations will be incorporated into the action plan at the appropriate places.

15. It will be possible to add more actions and milestones to the action plan in future, once some of the key decisions have been taken and areas of uncertainty resolved.

## **Risk Management**

The audit is a fundamental part of the Audit Commission's 'harder test' facing all local authorities. The findings, and in particular the adequacy of the response, will have a significant bearing on the future audit and inspection regime faced by the Council as well as its wider reputation. The action plan needs to be implemented and monitored with these risks under appropriate control.

### **BACKGROUND PAPERS**

Managing performance management 2006/07 – Audit Commission, September 2006  
Local Government White Paper – *strong and prosperous communities* – October 2006

<b>RECOMMENDATION 5</b>		
Decide on the extent to which the Council will integrate its own service planning, priorities and performance management arrangements with those of its key partners in the Herefordshire Partnership		
<b>RESPONSE</b>		
a) The fullest possible integration of planning, priorities and performance management with key partners is crucial for successful implementation of the <i>Strong and Prosperous Communities</i> Local Government White Paper		
b) Immediately, the highest priority is integration between the Council and the Herefordshire PCT, as part of the creation of the Public Service Trust		
<b>ACTION</b>	<b>TIMESCALE</b>	<b>LEAD</b>
a) Discussion with the Herefordshire Partnership Chief Executives' Group and Performance Management Group, then the Partnership Board, leading to the preparation of a detailed implementation plan	Discussions to be completed by June 2007 and the detailed implementation plan in place by December 2007, with a view to the new arrangements operating from 1 April 2008	JJ, TG, JW
b) Inclusion in the detailed implementation plan for the creation of the PCT	Integrated arrangements to be operating from the time the PST is operational	NP
<b>PROGRESS</b>		
Already in place re. children and young people, with a single C&YP three-year plan and underpinning joint Forward Delivery Plan, integrated with the C&YP Directorate's Plan		
The new Herefordshire Partnership Board met in December 2006 and agreed that it needs to give early and detailed attention to development of the Local Area Agreement and other implications of implementing the Local Government White Paper		

<b>RECOMMENDATION 1</b>		
Construct and communicate a high-level model that clearly and simply identifies how the Council intends to assess and measure its level of performance and rate of improvement		
<b>RESPONSE</b>		
<p>The initial basis for the high-level model will be a detailed analysis of what is necessary to raise the Council's BVPI and other key PI scores, as well as its CPA scores - in all cases related to the achievement of the Council's existing strategic priorities.</p> <p>The results will be discussed fully by SMT, then CMB, Cabinet, SMC and the individual subject scrutiny committees, leading to the design and implementation of the high-level model.</p> <p>The resulting programme of action will be taken forward as part of the overall Transformation Programme and led by the relevant individual transformation boards, with operational responsibility and accountability vested in individual heads of service. Its roll-out will be an integral part of the Council's performance improvement cycle, which relates investment to the achievement of the Council's priority outputs and outcomes</p> <p>The model's subsequent development and implementation will be taken forward as part of the programme to integrate arrangements with key partners (see Recc. 5 above)</p> <p>Reflect the above in revised Performance Improvement Framework</p> <p>All the above and the supporting elements below to be underpinned by a comprehensive communications plan.</p>		
<b>ACTION</b>	<b>TIMESCALE</b>	<b>LEAD</b>
a) The analysis to be discussed by SMT and CMB	30 January 2007	JJ, TG
b) Then by Cabinet and scrutiny	22 February 2007	
c) In parallel, identify potential models from high-performing local authorities	End February 2007	

## APPENDIX 1

ACTION	TIMESCALE	LEAD
d) Resulting initial Council model to be approved by CMB and Cabinet, including user-friendly template that identifies and rates the key measures of performance	March 2007	JJ, TG
e) The initial Council model to be operating based on its critical performance indicators	From 1 April 2007	JJ, TG, SR, DP, transformation board chairs, heads of service
f) Cabinet approval of initial revised Council Performance Improvement Framework	April 2007	JJ, TG
g) Cabinet and Partnership approval of the joint Partnership Performance Improvement Framework and model	February 2008	JJ, TG, JW
h) Develop communications plan, including arrangements for publicising the completed template regularly to members, staff and other stake-holders	End February 2007	JJ, RB
i) Implement communications plan	As to be set out in the communications plan	
<b>PROGRESS</b>		
Scrutiny visits to Shropshire and East Riding of Yorkshire councils scheduled for January and February. These will be used to examine their performance management model generally.		

<b>RECOMMENDATION 6</b>		
Develop a simpler, clearer set of priorities – each with a basket of indicators and measures designed to provide a high-level picture of progress		
<b>RESPONSE</b>		
To be determined as part of the implementation of Reccs 5 and 1 above - so ensuring easily understood consistency between the Council's priorities and those of the <i>Herefordshire Partnership</i> ; indicators for organisational improvement priorities; a basket of indicators for each priority; and good communication of all this to members, staff and other stakeholders		
<b>ACTION</b>	<b>TIMESCALE</b>	<b>LEAD</b>
a) As for Recc. 1 earlier	As for Recc. 1 earlier	JJ, TG
b) Strategic public consultation	June 2007]	
c) Decisions on priorities by the newly elected Council: i. Cabinet approves Corporate Plan 2008-11 ii. Council approves Corporate Plan 2008-11	October 2007 November 2007	
<b>PROGRESS</b>		
Action already taken to simplify the reporting of perception PIs and in hand to ensure adequate actions/milestones in the underlying feeder Pis CX will be consulting the Group Leaders shortly on the timing of the proposed strategic consultation.		

<b>RECOMMENDATION 8</b>		
Produce regular high-level strategic assessments of performance trends, identifying, where relevant, barriers and levers to performance improvement		
<b>RESPONSE</b>		
<p>The Recc. 1 model to be the initial basis for future integrated performance reports (IPRs). Will be developed further in the light of the agreed longer-term arrangements with partners in response to Recc. 5.</p> <p>There will be periodic overall assessment (frequency to be decided - while regular, these assessments will not be frequent or they would not be strategic).</p> <p>But IPRs will include key intelligence immediately it becomes available, e.g. APA and other inspection results.</p> <p>Also to include consideration of a Council-wide process to collect customer feedback more consistently.</p>		
<b>ACTION</b>	<b>TIMESCALE</b>	<b>LEAD</b>
a) Design revised format for IPRs and gain CMB and Cabinet agreement (with input from SMT and SMC)	April 2007	JJ, TG
b) Operate the revised format	June 2007	
<b>PROGRESS</b>		

<b>RECOMMENDATION 2</b>			
Develop and implement a consistent strategic approach to embedding a performance management culture			
<b>RESPONSE</b>			
<p>a) To be done so as an integral part of implementing Reccs. 5 and 1 - drawing on successful practice in other LAs; the IPC work in Children's Services, the PWC work in Adult Social Care and other good practice in the Council; the Director of Corporate and Customer Services and the Director of Resources working together to champion improved performance management, particularly through an even more rigorous and demanding performance improvement cycle; and the inclusion of indicators that track cultural change in the high-level model</p> <p>b) Momentum to be maintained to deliver and gain maximum impact from measures already in hand, including the continuation of the Leadership Programme and directorate initiatives such as the adult social care performance clinics.</p>			
	<b>ACTION</b>	<b>TIMESCALE</b>	<b>LEAD</b>
	a) Programme of detailed action to be developed for implementing Reccs. 5 and 1 (embedding to be achieved through the performance improvement cycle and the communications plan)	Operating from 1 April 2007	JJ, TG
	b) i. Complete appointment of performance improvement managers	April 2007	TG
	ii. Currently programmed SRD and risk management training to be delivered	January to March 2007	DJ, TG, DP
	iii. Develop targeted <b>mandatory</b> annual training and development programme, initially for 2007-08	Operational from April 2007	DJ, TG



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	<b>ACTION</b>	<b>TIMESCALE</b>	<b>LEAD</b>
	iv. Disseminate the results of the performance management improvements in C&YP Services (from IPC) and Adult Social Care (from PWC) and other good practice, considering their application more generally (particularly through SMT and its performance improvement sub-group and the performance improvement network)	From April 2007	TG
<b>PROGRESS</b>			

<b>RECOMMENDATION 3</b>			
Ensure that the respective roles & responsibilities of the Council's partnership team & the directorate performance management officers are clear			
<b>RESPONSE</b>			
<p>a) Secure clear understanding and ownership amongst directors and heads of service</p> <p>b) Keep guidance under review in the light of experience and changing requirements</p> <p>c) and d) regular fora to ensure good communication, mutual understanding and ownership</p> <p>e) Equally important to ensure that there is a clear understanding of the respective roles and responsibilities of PIMs and corporate Policy and Performance staff, so that overall capacity, efficiency and effectiveness are maximised.</p>			
	<b>ACTION</b>	<b>TIMESCALE</b>	<b>LEAD</b>
	a) Discuss with directorate management teams	Before end March 2007	TG
	b) Identify the key meetings in Directorates below DMT level where performance is debated and decisions taken	Before end March 2007	
	c) Review, develop & refresh the guidance/protocols to reflect the activities & tasks that need to be carried out under the agreed arrangements with key partners in pursuit of Recc. 5	December 2007	
	d) Regular meetings of the performance improvement network	At least monthly	

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ACTION	TIMESCALE	LEAD
e) Review the effectiveness of the performance improvement network and the SMT performance improvement sub-group, recommending changes where necessary	September 2007	
f) Corporate Policy and Performance roles to be reviewed and posts re- evaluated	June 2007	
<b>PROGRESS</b>		
b) Have already – in November 2006 - clarified and reissued description of roles and responsibilities for plans and PIs. c) Have established performance improvement managers (PIMs) network meetings, including senior members of the Partnership Support team in the membership (ditto Policy and Performance staff and the Risk Manager ). Provides regular forum for discussion and resolution of any remaining uncertainties. Also SMT performance improvement sub-group.		

**RECOMMENDATION 4****APPENDIX 1**

Ensure that members, both at cabinet and overview and scrutiny level are fully involved in, and integrated into, the Council's performance management arrangements

**RESPONSE**

- a) To be achieved as an integral part of implementing Reccs. 5, 1, 6, 8 and 2 - involving extensive informal and formal discussion with both executive and non-executive members; linked with the constitutional and local democracy changes required to implement the Local Government White Paper
- b) and c) This will be reflected in a members' guide to performance management
- c) Maintain momentum with implementation of the existing scrutiny improvement programme

<b>ACTION</b>	<b>TIMESCALE</b>	<b>LEAD</b>
a) As for Reccs. 5, 1, 6, 8 and 2	As for Reccs. 5, 1, 6, 8 and 2	JJ, AMc, TG
b) Circulate IDeA guide to members	January 2007	
c) Establish a members reference group to advise upon/ road-test drafts of a members guide	January 2007	
d) Initial members' guide	April 2007	
e) The induction programme following the May 2007 election will include sessions on performance improvement	Beginning May 2007	
f) Members' guide reflecting the longer-term arrangements agreed with partners	February 2008	
g) Implementation of relevant elements of the existing Scrutiny Improvement Plan, including: <ul style="list-style-type: none"> <li>- Cabinet members' annual presentations to scrutiny committees</li> <li>- Regular, improved IPR reports to SMC, which will refer matters to scrutiny committees, as appropriate</li> <li>- Regular progress reports on detailed improvement plans for individual service areas</li> <li>- Annual review of the operation of the performance management framework</li> <li>- Visits to LAs successfully using scrutiny to drive performance improvement</li> <li>- Scrutiny members as "critical friends" for specific services as part of the performance improvement cycle</li> </ul>	June 2007 Continues Continues October 2007 Continues From May 2007	

**PROGRESS**

The monthly meetings between Cabinet members and directors are being reviewed

The Scrutiny Improvement Plan is on track for completion as planned. Scrutiny visits to Shropshire and East Riding of Yorkshire councils scheduled for January and February.

<b>RECOMMENDATION 7</b>		
Ensure that the role, purpose and content of service plans clearly links to the high-level set of indicators and measures, and reflect the approach the Council has decided to adopt in linking with partnership priorities		
<b>RESPONSE</b>		
To be achieved as an integral part of implementing Reccs. 5, 1, 6, 8 and 2, including such further guidance as is needed on developing local indicators, setting targets and ensuring that risks are dealt with as part and parcel of performance management		
<b>ACTION</b>	<b>TIMESCALE</b>	<b>LEAD</b>
Reflect in revised requirements for directorate and service plans 2008-11	September 2007	TG
<b>PROGRESS</b>		

<b>RECOMMENDATION 9</b>		
Develop the current performance reporting process to provide both a more consistent approach to reporting performance within directorates, and a clearer, higher-level report of progress against priorities		
<b>RESPONSE</b>		
<p>a) Make initial improvements on the basis of the actions in respect of Recc. 1 above, including in the IPR and directorate reports clear messages about good performance and areas of concern, summaries of progress against remedial action in previous reports and information on compliments and complaints; deciding how often reports will be made on individual items; and putting in place effective arrangements to communicate the headlines to members and staff</p> <p>b) Make longer-term improvements consistent with the implementation of Recc. 5</p> <p>c) Part of implementing Reccs 1 and 6 above</p>		
<b>ACTION</b>	<b>TIMESCALE</b>	<b>LEAD</b>
a) Map and review current procedures and experience of reports to lead Cabinet members and the CX's performance review meetings with individual members of CMB; apply the best practice identified as part of the programme to implement Recc. 1, including that from high-performing LAs; issue fresh requirements/templates; institute arrangements to communicate the performance headlines to members and staff	To be in operation from 1 April 2007	TG, RB, directors, heads of service
b) Bring the longer-term improvements into effect	1 April 2008	
c) As for Reccs. 1 and 6 above	As for Reccs. 1 and 6 above	JJ, TG
<b>PROGRESS</b>		

<b>RECOMMENDATION 10</b>			
Improve the way in which remedial action to address poor or under-performance is both presented and progress against it reported at corporate as well as directorate level			
<b>RESPONSE</b>			
<p>Corporately: Part of implementing Reccs. 8 and 9 above, embedding it through making challenge even more systematic and rigorous under the performance improvement cycle.</p> <p>Within directorates: Part of implementing Recc. 9 above</p>			
	<b>ACTION</b>	<b>TIMESCALE</b>	<b>LEAD</b>
96	a) Design revised format for IPRs and gain CMB and Cabinet agreement (with input from SMT and SMC)	April 2007	JJ, TG
	b) Operate the revised IPR format	June 2007	
	c) Introduce challenge board under the performance improvement cycle, relating proposed outputs and outcomes to budget planning	July 2007	JJ, SR
	d) Make initial improvements on the basis of the actions in respect of Recc. 1 above	1 April 2007	JJ, TG, directors, heads of service
	e) Make longer-term improvements consistent with the implementation of Recc. 5	1 April 2008	
<b>PROGRESS</b>			



Both the West Mercia Police overall and divisional models for challenge boards are already being investigated. Contacts have already been established with Worcestershire and the East Riding of Yorkshire Council.

<b>RECOMMENDATION 11</b>		
Ensure that there is a better consistency and purpose in the reporting of performance to executive and non-executive members		
<b>RESPONSE</b>		
Part of implementing Reccs. 9 and 10 above, making clear the specific roles of scrutiny members in respect of performance management issues; and ensuring that there are well-understood links between scrutiny committees, staff in the relevant services and research and other forms of support for scrutiny. The Local Government White Paper’s proposals for frontline members are relevant here		
<b>ACTION</b>	<b>TIMESCALE</b>	<b>LEAD</b>
See Reccs. 9 and 10 earlier	See Reccs. 9 and 10 earlier	JJ, TG, directors, heads of service
<b>PROGRESS</b>		

<b>RECOMMENDATION 12</b>		
Improve the quality assessment of the SRD process to ensure that, among other things, individual targets are linked to service and corporate targets		
<b>RESPONSE</b>		
QA process initiated and now needs to be rolled out consistently and embedded across the Council		
<b>ACTION</b>	<b>TIMESCALE</b>	<b>LEAD</b>
a) Cascade of QA to be initiated by HR with directors and rolled out for the coming round of SRDs Guidance to be re-issued by HR Cascade to be documented	Directors and Heads of Service by March, other tiers before the end of May 2007	DJ, directors and heads of services
b) Internal audit to test effectiveness of the cascade	<i>[To be agreed with Internal Audit – June 2007?]</i>	TF
c) Routine monitoring of satisfactory and timely completion of SRDs by departmental HR officers, reporting results to SMT, CMB and Cabinet	May 2007 and annually thereafter	DJ
d) First phase of new SRD training programme to be completed	March 2007	DJ, TG
e) Subsequent phases of SRD training to be developed as part of the targeted mandatory annual training and development programme	April 2007	
<b>PROGRESS</b>		

<b>RECOMMENDATION 13</b>		
Ensure that there are clear links between the action points in the Directors' Performance Review meetings and the issues discussed at DMTs and other management and team meetings within the directorates		
<b>RESPONSE</b>		
To be implemented alongside Reccs. 3 [road map of key performance meetings], 9 and 10		
<b>ACTION</b>	<b>TIMESCALE</b>	<b>LEAD</b>
a) Identify and disseminate best practice	March 2007	TG
b) Implement best practice	April 2007	Directors and the Head of HR
<b>PROGRESS TBA</b>		
Following the January cycle of meetings with the Chief Executive, Directors will include the appropriate items on their DMT agendas		

<b>RECOMMENDATION 14</b>		
Place more emphasis on the celebration and rewarding of success		
<b>RESPONSE</b>		
To feature in all aspects of implementation and as part of the Council's wider approach to developing rewards and recognition. To include the positive results of customer feedback		
<b>ACTION</b>	<b>TIMESCALE</b>	<b>LEAD</b>
a) Feature highlights of good performance in the IPR and in all other performance reports, corporately and in directorates	Immediately	TG, directors, heads of service
b) Develop full rewards and recognition programme	<i>[To be discussed with DJ and RB – link to drive to gain awards]</i>	DJ, RB
<b>PROGRESS</b>		

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