

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	29 JANUARY 2010
TITLE OF REPORT:	USE OF RESOURCES 2009
DIRECTOR OF RESOURCES	DAVID POWELL

CLASSIFICATION: Open

Wards Affected

County-wide.

Purpose

To report to the Audit and Governance Committee on the Use of Resources 2009 and identify the improvement opportunities and next steps.

Key Decision

This is not a Key Decision.

Recommendations

- THAT**
- (a) **Audit and Governance Committee comment on the report;**
 - (b) **Audit and Governance Committee comments on the opportunities for improvement; and**
 - (c) **Agrees to receive an update on progress at the next meeting.**

Key Points Summary

1. The new assessment of use of resources is broader and more demanding.
2. The Council's performance is assessed as adequate.
3. The Council has continued to make progress.
4. Management of finances is assessed as performing well.
5. The deep partnership with the PCT is leading to improved working at service level.

Alternative Options

6. No alternative options have been identified.

Reasons for Recommendations

7. Under the Constitution the Audit and Governance Committee considers reports of external audit and inspection agencies and takes appropriate action where relevant to the committee remit. This includes reviewing and commenting on external audit reports.

Introduction and Background

8. The Use of Resources assessment has become a key component in the overall judgment about how well councils manage and use their resources. Under the original assessment criteria there was evidence of average scores improving. This was true of Herefordshire which achieved an overall “3” in the final year of the old assessment.
9. In order for the process to play a more appropriate outcome based approach in line with the new Comprehensive Area Assessment (CAA) the new assessment of Use of Resources has become broader and more demanding. It is fair to say it covers a wider area than just core elements that included finance, internal control and value for money. These three areas accounted for the five themes under the old assessment.

Key Considerations

10. The new assessment has three themes and these are as follows:
 - (a) Managing finances, which covers how effectively the organisation manages its finances to deliver value for money;
 - (b) Governing the business, which covers how well the organisation governs itself and commissions services that provide value for money and delivers better outcomes for local people; and
 - (c) Managing resources, which covers how well the organisation manages its natural resources, physical assets and people to meet current and future needs and delivers value for money.
11. The three themes outlined above are further divided into Key Lines of Enquiry (KLOEs). The following table gives the detailed scores.

THEME 1 – MANAGING FINANCES	3 (OVERALL)
KLOE 1.1 – Financial Planning	3
KLOE 1.2 – Understanding Costs and Achieving Efficiencies	3
KLOE 1.3 – Financial Reporting	3
THEME 2 – GOVERNING THE BUSINESS	2 (OVERALL)
KLOE 2.1 – Commissioning and Procurement	2
KLOE 2.2 – Data Quality and Use of Information	2

KLOE 2.3 – Good Governance	2
KLOE 2.4 – Risk Management and Internal Control	2
THEME 3 – MANAGING RESOURCES	2 (OVERALL)
KLOE 3.1 – Use of Natural Resource	2
KLOE 3.2 – Strategic Asset Management	2

THEME 1 – MANAGING FINANCES

12. The integration of the Medium Term Financial Strategy (MTFS) with other processes has been effective and transferred money into priority areas. A good track record of staying within overall budget is assisted by a collective responsibility for managing finances.
13. Good financial challenge from members has supported the overall assessment.
14. Revenue collection by the Benefit & Exchequer Service has been a continuing success despite the economic downturn.
15. The assessment confirms the Council remains a generally low cost authority. Benchmarking is carried out across a range of key services but is inconsistent. The Council acknowledges it needs to extend its developing understanding of value for money. Information on cost of services has been used in service redesign but not all key areas.
16. Financial reporting is assessed as timely, comprehensive and understandable which provides a reliable base for decision-making. CIPFA's benchmarking data indicates a high degree of customer satisfaction with financial information.
17. The assessment noted good collaborative preparations being put in place for the introduction of IFRS. The challenge and review of accounts by the Audit and Governance Committee was very comprehensive.
18. Treasury management arrangements have responded well to the recent events but the assessment notes it may therefore be timely to enhance the scope for reporting to members. Training for members and the content of the annual treasury management policy may also require review.
19. In summary the managing finances themes performs well.

THEME 2 – GOVERNING THE BUSINESS

20. A developing understanding of inequalities, diversity and need for the range of Council Services is noted in the assessment along with the collection of up to date information on local needs and views. This is starting to be used to shape the delivery of key services.
21. The Council is developing a track record of effective involvement of users and stakeholders in commissioning services.
22. There is a developing understanding of the supply market that when allied to the exploration of different options for procuring services indicates that improvements can be delivered. However, there is the need for greater consistency and a more comprehensive approach.

23. The assessment indicated data quality has improved but overall progress towards the data quality action plan has been slower than expected. Services are improving the validation of data although there is still a reliance on manual systems.
24. Good evidence of progress was evident in the domiciliary care review that used higher quality data to make decisions around service improvement.
25. The assessment also noted the outcome of the Planning Review that concluded better use could be made of the judgement of external bodies to improve decision making. The council responded to the findings in a positive manner.
26. Stretching targets are set but delivery is not consistent. It is positive that steady improvement is being made in the historically underperforming areas of adult social care.
27. The good governance KLOE notes good progress to embed a strong ethical framework and culture. This is evidenced by the high profile given to ethical issues.
28. The alignment of arrangements to monitor and review performance of the Council and PCT (NHS Herefordshire) is on-going.
29. The Council's constitution has been reviewed by INLOGOV and it is positive that this has informed the revised constitution.
30. The deep partnership with the PCT and the process around developing joint plans is beginning to inform how services work together to deliver better outcomes. Improved joint working is evident at service level around issues such as swine flu and emergency planning.
31. The risk management and internal control KLOE notes the role of the Audit and Governance Committee in providing very effective challenge and scrutiny on governance, audit and accounting issues with a consequent influence on outcomes and actions.
32. Internal Audit's key role in the Council's assurance framework is acknowledged. The reports from internal audit provided assurance that all but three of the key financial systems operated at a satisfactory level.
33. In summary the governing the business theme performs adequately.

THEME 3 – MANAGING RESOURCES

34. The Council's use of natural resources is developing but gaps such as a lack of comprehensive information on energy use remain. On a positive note the Council's Carbon Management Action Plan and Local Climate Impacts Programme will help better planning in the future to adapt to the effects of climate change.
35. Planned major changes to the asset base will support reduced CO² use as well as other improvements. Work on this is starting but the Council acknowledge it has a lot of buildings that are not sustainable and this will take time to change.
36. The overall assessment of theme 3 is that the Council is performing adequately.

Next Steps

37. The Use of Resources assessment makes 16 recommendations and these are to be the subject of an action plan to joint management team. It is proposed that the next Audit and Governance Committee receives a position statement on the action plan along with timeline for delivering progress in 2010.

Community Impact

38. The new Use of Resources assessment focuses on outcomes and these have a key impact on communities. There is also an assessment made about how well the Council engages with users and communities.

Financial Implications

39. There are no financial implications.

Legal Implications

40. There are no legal implications

Risk Management

41. There are no risk implications

Consultees

None

Appendices

Use of Resources Report

Background Papers

None