
KEY LINES OF ENQUIRY – USE OF RESOURCES JUDGMENT 2006

1 SUMMARY

- 1.1 This report summarises the main issues arising from the key lines of enquiry – use of resources judgment for 2006 carried out by the Council's external auditors, PKF, and sets out how the action plan arising from the assessment will be implemented and monitored.

2 INTRODUCTION

- 2.1 The Use of Resources Judgment evaluates how well the Authority manages and uses its financial resources by scoring performance against 5 main themes:-
- Financial Reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support the Council's priorities).
 - Financial Standing (including the strength of the Council's financial position).
 - Internal Control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 2.2 For each of these themes, there are a number of key lines of enquiry (KLOE) with descriptions of expected performance levels 2,3 and 4. The performance level which we can prove we match then provides the score for that KLOE.

3 KLOE RESULTS

- 3.1 On 10 April 2007 this Committee considered the Annual Audit and Inspection Letter for 2005/06 which included the Council's overall Use of Resources score "2". Overall the Authority's arrangements were considered to be at minimum acceptable standards.
- 3.2 The performance against each level is shown in the following chart with comparison to the score for 2005, with highlighting to show where there has been recognised improvement.

Theme and Key Line of Enquiry	2005	2006
1.1 Annual accounts	2	3
1.2 Promotion of external accountability	2	3
1 Financial Reporting	2	3
2.1 Medium term financial strategy, budgets and capital programme	2	2
2.2 Managing performance against budgets	1	2
2.3 Managing the asset base	2	2
2 Financial Management	2	2
3.1 Managing spending within available resources	2	2
3 Financial Standing	2	2
4.1 Managing significant business risks	1	2
4.2 Maintaining a sound system of internal control	1	2
4.2 Arrangements to promote and secure probity and propriety	2	2
4 Internal Control	1	2
5.1 Current achievement of good value for money	2	2
5.2 Managing and improving value for money	1	2
5 Value for Money	2	2
Overall	2	2

3.3 The score is determined against the following scale:-

Level	Performance
1	inadequate performance
2	adequate performance
3	performing well
4	performing strongly

- 3.4 While the overall assessment of the Audit Commission is consistent with the prior year there has been improvement in 6 of the 11 key lines of enquiry that underpin the assessment. This has resulted in an increase in the individual scores for both financial reporting and internal control which in the previous assessment were assessed as 2 and 1 respectively.
- 3.5 Following the assessment for 2005, an action plan was drawn up to focus action on the priority areas for improvement within existing resources.
- 3.6 PKF identified the following areas where the Council had demonstrated particular improvements:-
- The Council has begun to compare costs and quality of services, and benchmark. To progress further, the value for money culture needs to be embedded throughout the Council.
 - There has been an improvement in the financial information provided to Members, such as quarterly budget monitoring and an explanatory and interpretation paper highlighting key issues for Members to note in the draft accounts.
 - There have been improvements made in the linkage between corporate objectives and financial planning, which need to be embedded into the performance management culture of the organisation.

4 FUTURE ASSESSMENTS

- 4.1 The last assessment covered the period up to December 2006. The Audit Commission has now changed the periods so that the next assessment will be based on the financial year 2006/07. As the December 2006 results were not published until February 2007, there is only limited time to improve the 2006/07 assessment.
- 4.2 Following the report to Audit Committee in April, PKF and officers have put together a detailed action plan with the aim of moving our overall score up to 3 for the 2007/08 assessment. The action plan contains over 45 detailed actions, down from 60 last year. These have been summarised into a timetabled programme of key milestones in Appendix 1 and it is proposed that this summary will form the basis of monitoring using the Traffic Light system (RAG Status).

5 RISK IMPLICATIONS

- 5.1 If the Authority does not implement the actions, there is a risk that not only will we not improve on our score, but scores in areas where we have been given the benefit of the doubt, may fall. The Use of Resources Judgment will be taken into account in any future Comprehensive Performance Assessment.
- 5.2 In their report, PKF acknowledge that, given the limited resources and corporate capacity of the Authority, it is sensible for the action plans to be

carefully prioritised against what can realistically be achieved and this will be carefully monitored over the timeline of the action plan. Priority will be given to the actions which ensure that existing scores are retained.

- 5.3 There is a risk to our score under the Financial Reporting theme because of the changes to the accounting standards which govern the layout of the accounts. This has been managed by consultation with external auditors and other Local Authorities to ensure that officers' interpretation of the accounting requirements is consistent.

6 RESOURCE IMPLICATIONS

- 6.1 PKF's report includes reference to the management of the finite resource available and recognises that there are significant resource implications in officer time for the Authority in implementing the detailed Action Plan.

7 RECOMMENDATION

- 7.1 It is proposed that the Committee **RESOLVES**
- (1) That it be noted that officers are implementing a detailed Action Plan to improve the Use of Resources Judgment.
 - (2) That it be agreed that monitoring of the summarised Action Plan will be reported to Members as part of the regular monitoring of external audit's recommendations.

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Background Papers:-

Use of Resources Judgment 2006 – PKF

Annual Audit and Inspection Letter 2005/06

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APPENDIX 1 – USE OF RESOURCES ACTION PLAN

AIM – To achieve overall score of 3

Key to Lead Officer:

HFAPM - Head of Finance, Audit & Performance Management
 FSM – Financial Services Manager
 CPM = Corporate Policy Manager
 SA = Senior Accountant
 CD(ES) = Corporate Director (External Services)

CD(IS) – Corporate Director (Internal Services)
 SPIO = Senior Performance Improvement Officer
 PIM = Payments and Income Manager
 APM = Audit and Performance Manager

KLOE Ref	Action	Priority	Lead Officer
	Target Date : September 2007		
2.1.14	Corporate Plan should drive medium term financial strategy	Medium	CPM
2.2.13	Develop specialist reporting from the finance system	Medium	SA
2.2.18	Review budget monitoring arrangements	Medium	FSM
VFM 2	Implement strategic approach to procurement	High	CD (ES)
	Target Date : October 2007		
2.1.19	Regular documented reviews of financial management arrangements	Medium	HFAPM
2.1.20	Introduce a pro forma for new policies and capital developments to demonstrate project appraisal and consideration.	Medium	FSM
3.1.8	Continue to set targets for income and arrears collection	Medium	FSM
4.1.6	Embed annual review of risk management process	Medium	SPIO
4.1.7	Include partnership risks in risk management approach	Medium	CPM
4.2.8	Implement and test Business Continuity Plan	High	CPM

KLOE Ref	Action	Priority	Lead Officer
	Target Date : December 2007		
1.2.4	Consultation on the publication of an Annual Report	High	FSM
2.1.13	Continue to integrate business and financial planning.	Medium	HFAPM
2.1.16	Demonstrate the link between the MTFS and other strategic plans.	Medium	CPM and HFAPM
2.2.16	Develop budget monitoring reports to include non-financial information	Medium	FSM and SPIO
2.2.20	Budgetary variances must be considered in the Reserve Strategy	Medium	FSM
2.3.11	Report on asset management performance indicators	Medium	CD (IS)
3.1.11	The economic of debt recovery action. Determine levels for action.	Medium	PIM
3	Promote anti fraud culture	Medium	HFAPM
	Target Date : February 2008		
2.1.15	Undertake sensitivity analysis as part of the MTFS process	Medium	HFAPM
3.1.10	Establish a Reserves Strategy	Medium	FSM
2.2.19	Report planned savings and efficiencies with action plans to Senior Officers	Medium	HFAPM
	Target Date : March 2008		
2.2.12	Review financial performance of partnerships	High	CPM
4.1.10	Regular risk management reports to Senior Management Team and Committee	Medium	SPIO
4.2.12	Agreements in place for all partnerships	Medium	CPM
4.2.14	Document the Assurance Framework's links to the strategic objectives	Medium	APM
VFM 2	Establish robust and systematic benchmarking of key areas	High	HFAPM
VFM 2	Address areas of higher cost and lower performance	High	HFAPM
VFM 2	Assess impact of decision making and demonstrate positive outcomes from consultation	High	CPM

KLOE Ref	Action	Priority	Lead Officer
VFM 2	Develop arrangements for identifying efficiencies	High	HFAPM
VFM 2.7	Report to members on benchmarking and VFM work	High	HFAPM
4.3.10	Promote ethical behaviour	Medium	CD (IS)
4.3.11	Assess compliance with Codes of Conduct	Medium	CD(IS)