

BABERGH DISTRICT COUNCIL

FROM: Head of Finance

REPORT NUMBER **G20**

TO: Overview and Scrutiny (Stewardship)
Committee

DATE OF MEETING: 5 June 2007

IMPROVING USE OF RESOURCES AND VALUE FOR MONEY

1. PURPOSE OF REPORT

To report the outcomes of the Audit Commission's 2006 Use of Resources Assessment and indicate improvement opportunities and areas where Babergh needs to strengthen arrangements further in 2007 and 2008 in relation to the effective use of resources.

2. RECOMMENDATIONS

- 2.1 That the Committee note the outcomes of 2006 Use of Resources Assessment.
- 2.2 That, in relation to the 2007 and 2008 assessment, the Committee note the improvement opportunities and approves the Action plan relating to these as set out in Appendix A.
- 2.3 That Officers report back to the Committee in due course on progress on this and on the outcomes of the 2007 assessment.

Although the Committee is able to resolve these matters, it is suggested that consideration and approval is sought from the Strategy Committee on all of the recommendations given their significance.

3 FINANCIAL IMPLICATIONS

- 3.1 Any costs associated with delivering the improvement plan will be met from existing budgets. There will be a need for staff resources to be directed towards this, which will also be met from current staffing levels.

4. RISK MANAGEMENT

- 4.1 This work links to a number of the significant business risk themes:

Risk Nos. 5 & 6 – Capacity and Culture
Risk No. 7 – Financial, Performance & Risk Management

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
Improvement opportunities not addressed leading to poorer future Audit Commission Assessments, which could impact on Direction of Travel and overall CPA (CAA) rating.	Low/Significant	Critical	Approval of Action Plan and implementation to maintain and improve arrangements.

5. **KEY INFORMATION**

- 5.1 The effective use of resources is a key contributor towards achieving the council's corporate aims and priorities. Generally, Babergh's arrangements are good and the Audit Commission has again in 2006, as in 2005, judged the council overall at a level 3 score, which represents 'Performing well – consistently above minimum requirements'.
- 5.2 This annual assessment counts towards the council's CPA/CAA and 'Direction of Travel' assessment by the Audit Commission and the 2006 assessment is reflected in the Annual Audit and Inspection letter on today's agenda. The assessment covers five themes, which are:
- Financial Reporting
 - Financial Management
 - Financial Standing
 - Internal control, and
 - Value for Money
- 5.3 The following key points are highlighted in relation to the Audit Commission's 2006 assessment compared to 2005:
- It reflects a 'raising of the bar' by the Audit Commission. This means that improvements are needed just to maintain the levels achieved in previous assessment(s)
 - Overall, Babergh has maintained a level 3 score although this is now more marginal as the financial management theme has been downgraded from level 3 to level 2. This is mainly due to our Asset Management Plan not being up to date
 - We are still assessed at level 3 for Value for Money, Financial Standing and Financial Reporting (three out of the five themes – previously we were level 3 in four themes)
 - We have improved on individual sub-themes such as promoting external accountability and managing significant business risks

- There are a number of sub-themes where we should look to improve from level 2 to level 3, namely managing performance against budgets, managing our asset base (see above), further embedding of risk management and internal control and managing/improving Value for Money – these priorities are reflected in the Action Plan set out in Appendix A.
- 5.4 It should be emphasised that the Council is currently seen as having a lot of key strengths, for example, in relation to the quality and timeliness of producing the annual accounts, a Medium-Term Financial Strategy and budget (including the capital programme) that delivers strategic objectives, managing spending, probity and propriety in the conduct of business and the extent to which we currently achieve value for money.
- 5.5 Babergh compares reasonably well with other Suffolk authorities but we should clearly be aiming to raise our position on Financial Management and Internal Control in the year ahead to achieve level 3 scores on these.
- 5.6 The requirements for 2007 and 2008 reflect a further ‘raising of the bar’ by the Audit Commission and include some significant areas where the Council will have to strengthen existing arrangements and, in some cases, introduce new ones.
- 5.7 The Action Plan in Appendix A addresses the current improvement opportunities identified in the 2006 assessment and also includes the additional requirements that the Council will have to meet in relation to the 2007 and 2008 assessments in order to maintain and improve existing arrangements. This focuses on the aim of achieving level 3 across the board for the 2008 assessment. Members should also consider whether achieving level 4 scores on any or all of the themes is appropriate.
- 5.8 These future assessments will be based on the actual arrangements in place as at the 31 March. Members should appreciate, therefore, that opportunities to impact on the 2007 assessment will be limited to the extent that we can demonstrate that we are maintaining or embedding arrangements between now and when the 2007 assessment is completed in October/November 2007. Also, it should be noted that an updated VFM self-assessment will be needed this year.
- 5.9 Hence, for example, although the approval of a new Asset Management Plan is a key action this year, that will not result in a sufficiently embedded set of arrangements this year.
- 5.10 Therefore, efforts between now and October will be focused on maintaining and embedding the new requirements, with the aim of maintaining our level 3 score and providing the necessary foundation for 2008.
- 5.11 For 2008, all of the level 2 and level 3 requirements are now ‘must haves’ and there are further issues and new requirements that will need addressing. The Action Plan in Appendix B reflects these. A number of these are challenging, as highlighted below:

Financial reporting

- The annual report or similar document includes information and analysis about a council’s environmental footprint (level 4)

Financial management

- Financial strategies and budget decisions are assessed for their impact on diverse communities (level 2).
- Demonstrating how financial plans have contributed to the achievement of corporate objectives
- The Executive (Strategy Committee) focusing on key financial/budget variances and evidence that these are acted on
- A Capital Strategy that shows any gap between investment needs to meet corporate and service objectives and the resources available over the medium to long-term
- A joint medium-term financial plan is produced with major partners (level 4).
- Strategic asset management is enhanced and challenges whether all assets are fit for purpose, provide value for money and deliver corporate priorities.
- Asset management is used as a driver and enabler of change and the management of assets is integrated with other local public agencies to identify opportunities for shared use of property and to deliver cross-sector, cross-agency and community based services to users (level 4).

Financial standing

- Challenging targets for actively managing income collection and arrears recovery.

Internal Control

- The scrutiny function is reviewed to ensure it is effective and encourages constructive challenge
- Reports in support of strategic policy decisions and to initiate major projects include equalities impact assessment and a sustainability impact appraisal.
- Effective scrutiny and partnership governance arrangements.
- Confirmation of the viability of significant contractors' / partners' business continuity plans (level 4).
- All application forms for services and benefits have a fair processing notification permitting data sharing for prevention and detection of fraud and corruption (level 4).

Value for money

- Reliable to exemplary data quality arrangements including agreed approach with partners(level 4).
- Collecting information on community needs, assessing the impact of decisions on groups to improve access to services, outcomes and value for money for all.
- Tracking improvements in value for money over recent years.
- More emphasis on stronger, longer-term, full cost evaluation, including (at levels 3 and 4) environmental and social impact.
- Improving value for money through partnership working.
- Use of ICT to improve services, value for money and access to services.
- Evidence of projects exceeding expectations in terms of timescales, costs or benefits
- The scope for VFM improvements is kept under review and scrutiny and there have been clear improvements in priority areas in recent years
- Use of shared services to achieve efficiencies
- Evaluation of the use of partnerships to improve VFM with clearly identified outcomes and on track to deliver planned improvements

5.12 A further report will be submitted to Members later in the year to update the Committee on actions in relation to the above and the progress made in improving arrangements for the 2008 assessment.

6. **APPENDIX**

Appendix A - Improvement opportunities - Action Plan

7. **BACKGROUND PAPERS REFERRED TO:**

Annual Audit and Inspection Plan 2005/06

Audit Commission Use of Resources Assessment for 2006

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Improvement Opportunities- Action Plan

Appendix A

KL OE	Area/Requirement	Service Head(s)	Status	Key actions	Timeframe
1.	Financial Reporting:				
1.1	The Council produces annual accounts in accordance with relevant standards & timetables, supported by comprehensive working papers.				
	<ul style="list-style-type: none"> ▪ Accounts are compiled in accordance with statutory & professional reporting standards and are supported by comprehensive working papers. Prepared & approved in accordance with relevant timetables ▪ Robust Member Scrutiny before approval 	<p>Finance</p> <p>Finance</p>	<p>Improve/ Maintain</p> <p>Improve/ Maintain</p>	<ul style="list-style-type: none"> ▪ Maintain key areas of strengths and improve processes/quality where possible 	<p>2007 & 2008 - Q1/2</p> <p>2007 & 2008 - Q1/2</p>
1.2	The Council promotes external accountability.				
	<ul style="list-style-type: none"> ▪ The council considers stakeholder views in deciding whether to publish an annual report. Publish if views are in favour (level 4) ▪ The council publishes summary financial information that meets the needs of stakeholders and in a timely way that is accessible to the public. 	<p>Finance & Corp. Services</p> <p>Finance</p>	<p>Develop</p> <p>Improve/ Maintain</p>	<ul style="list-style-type: none"> ▪ Residents Forum to consider & comment on format and content of these. Also use website and 'Babergh Matters' to consult on and publicise the annual report, if that is decided 	<p>2007 - Q1/2</p> <p>2007 - Q1/2</p>
2.	Financial Management:				
2.1	The Council's medium-term financial strategy, budget & capital programme are soundly based and designed to deliver its strategic priorities.				
	<ul style="list-style-type: none"> ▪ 3 year corporate business plan is integrated with financial planning and drives the MTFs (Medium-Term Financial Strategy) and changes in resource allocation linked to policies and priorities. It takes account of: <ul style="list-style-type: none"> ➤ Stakeholder and partner views 	Finance & Corp. Services	Develop/ Improve	<ul style="list-style-type: none"> ▪ Develop corporate plan that is linked to corporate strategies, projects forward at least 3 years and incorporates key requirements 	2007 – Q2/3

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KL OE	Area/Requirement	Service Head(s)	Status	Key actions	Timeframe
	<ul style="list-style-type: none"> ➤ External drivers eg efficiencies ➤ Capital investment plans and revenue implications ➤ Risk assessments/financial contingency planning ➤ Sensitivity analysis ➤ Expected developments in services <ul style="list-style-type: none"> ▪ Ensure budgets are linked to: <ul style="list-style-type: none"> ➤ MTFS and high level budgets for future years ➤ Business and activity plans ➤ Risk assessments of material items ▪ Robust arrangements for policy developments and capital projects ▪ Financial Management arrangements that are fit for purpose, reviewing financial services function in relation to capacity, resourcing and training needs 	<p>Finance</p> <p>Finance & Corp. Services</p> <p>Finance</p>	<p>Improve/ Maintain</p> <p>Develop/ Improve</p> <p>Review</p>	<ul style="list-style-type: none"> ▪ Incorporate in above as part of Service & Financial Planning process ▪ Review project appraisal processes and ensure that business plans and affordability tests for new policy and capital developments are undertaken. ▪ Head of Finance to report to O&S Committee later in 2007/08 and periodically thereafter 	<p>2007 – Q2/3</p> <p>2007 – Q2</p> <p>2007 – Q3/4</p>

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2.2	The Council manages performance against budgets.				
	<ul style="list-style-type: none"> ▪ Timely reporting arrangements to Members, including other financial and non-financial information with Strategy Committee considering key variances and action. Planned savings and efficiency gains monitored 	Finance & Corp. Services	Develop/ Improve	<ul style="list-style-type: none"> ▪ Develop and improve integrated reporting linking performance to financial monitoring. 	2007 - Q2
	<ul style="list-style-type: none"> ▪ Training programme for Members and non-finance staff 	Finance	Develop	<ul style="list-style-type: none"> ▪ Develop and deliver training programme for members and non-finance staff. 	2007 – Q2
	<ul style="list-style-type: none"> ▪ Significant under/overspends managed (Applies to Financial Standing also) 	Finance	Maintain	<ul style="list-style-type: none"> ▪ Existing arrangements sufficient but keep under review 	Ongoing
2.3	The Council manages its asset base.				
	<ul style="list-style-type: none"> ▪ The council has a capital strategy and asset management plan with key aspects that demonstrate effective management across a range of issues eg sustainability, targets for improvement, contribution to corporate/service objectives 	Finance/ Contract & Asset Mgt.	Develop/ Improve	<ul style="list-style-type: none"> ▪ Develop an up to date and integrated Asset Management Plan & Capital Strategy for Member approval 	2007 -Q2
	<ul style="list-style-type: none"> ▪ The council reports to members on asset management 	Contract & Asset Mgt.	Develop	<ul style="list-style-type: none"> ▪ Incorporate governance and reporting requirements. Consider appointing a member champion 	2007 -Q2

Improvement Opportunities- Action Plan

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	<ul style="list-style-type: none"> ▪ Embedding Risk Management is joint responsibility of an officer & Member Champion ▪ The risk management system covers significant partnerships 	Finance & Corp. Services Finance & Corp. Services	Embed Develop	<ul style="list-style-type: none"> ▪ Appoint Member Champion ▪ Put in place monitoring and reporting process 	2007 - Q2 2007 - Q2
4.2	The Council has arrangements in place to maintain a sound system of internal control.				
	<ul style="list-style-type: none"> ▪ The council has put in place an assurance framework that maps strategic aims to risks and controls, is corporately prepared/owned and informs Members on the effectiveness of corporate governance arrangements ▪ The council delivers the core functions of an audit committee, providing challenge to the Strategy Committee and effective leadership on governance, financial reporting and audit issues ▪ Scheme of delegation, financial procedure rules and standing orders make reference to partnerships 	Finance & Corp. Services Finance & Corp. Services Finance & Corp. Services	Develop Maintain/ Improve Improve	<ul style="list-style-type: none"> ▪ Incorporate in 2007/08 Statement of Corporate Governance (which replaces the current Statement of Internal Control) ▪ Enhance as appropriate through this Action Plan ▪ Expand current review of Contract Procedure Rules to encompass these other aspects of the constitution 	2007 – Q4 2007 – Q2/ongoing 2007 – Q2

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	<ul style="list-style-type: none"> ▪ Scrutiny function reviewed to ensure and encourage effective challenge ▪ Partnership Governance arrangements regularly reviewed and updated 	Corp. Services	Develop	<ul style="list-style-type: none"> ▪ Provide training on the scrutiny function to Members of the Overview and Scrutiny committees 	2007-Q1 & 2
		Corp. Services	Develop	<ul style="list-style-type: none"> ▪ Update partnership governance arrangements as part of the programmed review of the Council's strategic partnerships 	2007-Q2 & 3
4.3	The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.				
	<ul style="list-style-type: none"> ▪ The council is proactive in raising ethical standards conduct. Members and staff exhibit high standards of personal conduct. Effective assessment and monitoring arrangements in place 	Corp. Services	Maintain	<ul style="list-style-type: none"> ▪ Provide training to Members on the new Code of Conduct ▪ Strengthen the Monitoring Officer function through the development of the Deputy Monitoring Officer role ▪ Promote the Council's own Code of Conduct for all Employees to staff 	2007-Q1 2007-Q2 2007-Q2
	<ul style="list-style-type: none"> ▪ Standards Committee findings communicated openly to wider public, effective action and learning from investigations and determinations 	Corp. Services	Maintain	<ul style="list-style-type: none"> ▪ Continue to communicate Standards Committee findings 	2007 – Ongoing

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KL OE	Area/Requirement	Service Head(s)	Status	Key actions	Timeframe
	<ul style="list-style-type: none"> ▪ The council has improved value for money and achieved efficiency gains (limited to the last three years) ▪ Procurement and other spending decisions take account of full long- term costs. 	<p>Finance/ All</p> <p>Finance/ All</p>	<p>Review</p> <p>Maintain/ Improve</p>	<ul style="list-style-type: none"> ▪ Address the other issues identified in the Audit Commission’s 2007 & 2008 level 3 VFM requirements, based on the self-assessment that is to be completed. Complete a trend analysis on major/key service areas ▪ Implement “whole life costing” as appropriate 	<p>2007 – Q2/3</p> <p>2007 - Q2/ongoing</p>