
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	4th MAY 2006	CATEGORY: DELEGATED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/use of resources/review and action plan report – may 06
SUBJECT:	USE OF RESOURCES ASSESSMENT	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the Audit Commission's Use of Resources Assessment for the Council for 2005/06 is noted.
- 1.2 That the action plan to improve overall performance to Level 3 (performing well) is approved.
- 1.3 That progress against this plan is reported to Committee in November 2006 ahead of the assessment for 2006/07.

2.0 Purpose of Report

- 2.1 To confirm the Audit Commission's assessment for its "Use of Resources" (including the Value for Money section) for the Council in 2005/06. In addition, to set out an action plan to improve performance to achieve a Level 3 score (out of 4) in 2006/07.

3.0 Detail

Background

- 3.1 As previously reported, the "Use of Resources" is an annual assessment (first year 2005/06) undertaken by the Audit Commission. Essentially, it evaluates how well councils manage and use their financial resources.
- 3.2 It is a more stringent test than the auditor scored judgements that formed part of the CPA framework until April 2004. The scope of the assessment has also been widened.
- 3.3 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. It is based on 5 themes – the first 3 covering financial reporting, financial management and financial standing; a further 2 themes cover the

wider aspects of internal control and to what extent and how authorities manage value for money.

3.4 Previously, “adequate arrangements” were sufficient to score 3, but under the new approach meeting “adequate performance” will score 2. Scoring is based on the following scale.

- 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

3.5 The Council submitted its self-assessment to the Audit Commission in November 2005. The Council was required to submit evidence to back up the assessment (including a descriptive submission for the Value for Money theme). The Council’s external auditors then tested this evidence as part of the assessment and this was subject to a national moderation process. The Commission’s scores with a comparison to that submitted by the Council are shown in the following table.

Scores for Each Theme

Key Lines of Enquiry (KLOE)	SDDC Score	Audit Score
Theme 1 - Financial Reporting <ul style="list-style-type: none"> • The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers • The Council promotes external accountability <p style="text-align: center;">Overall Score – Financial Reporting</p>	3 2 3	2 2 2
Theme 2 - Financial Management <ul style="list-style-type: none"> • The Council’s medium-term financial strategy, budgets and capital programmes are soundly based and designed to deliver its strategic priorities • The Council manages performance against budgets • The Council manages its asset base <p style="text-align: center;">Overall Score – Financial Management</p>	3 3 1 2	3 3 1 2
Theme 3 - Financial Standing <ul style="list-style-type: none"> • The Council manages spending within the available resources 	2	2
Theme 4 - Internal Control <ul style="list-style-type: none"> • The Council manages its significant business risks • The Council has arrangements in place to maintain a sound system of internal control • The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business <p style="text-align: center;">Overall Score – Internal Control</p>	2 3 3 3	2 3 2 2
Theme 5 - Value for Money <ul style="list-style-type: none"> • The Council currently achieves good value for money • The Council manages and improves value for money <p style="text-align: center;">Overall Score – Value for Money</p>	2 2 2	2 2 2

Calculating the Overall Score

- 3.6 The overall score for each theme is then assessed against the criteria shown in the following table.

At least two 4's and no other scores below 3	4
At least three 3's and no score below 2	3
At least three 2's	2
Any other combination	1

- 3.7 Based on this, the Council's final score overall was a 2, i.e. only at minimum requirements – adequate performance. Although one or two individual scores differed compared to the Council's self-assessment, the overall score of 2 was no different.
- 3.8 Clearly, there are some areas where performance is much better, particularly around financial management and monitoring and in respect of arrangements for safeguarding internal control.
- 3.9 The main weak area as previously reported is in asset management, but clearly actions already in place should lift this score next year. In addition, there is still room for improvement in other areas to meet the requirements at a Level 3.

Issues Identified and Areas for Improvement

- 3.10 The main actions are set out in an action plan that is detailed in **Appendix 1**. This includes action taken to-date and issues to be addressed over the next 6 months or so to achieve an overall score of 3.
- 3.11 This however, excludes any issues needed to address overall value for money – this is more to do with corporate wide initiatives that are currently on going, for example in procurement and the new performance management framework.
- 3.12 It should be noted that the Audit Commission is proposing some changes to the existing criteria. These are due to be confirmed shortly, but it is not likely that these will amend the proposed action plan.

4.0 Financial Implications

- 4.1 None associated directly with this report.

5.0 Corporate Implications

- 5.1 None associated directly with this report.

6.0 Community Implications

- 6.1 None associated directly with this report.

7.0 Background Papers

Use of Resources Audit Score Feedback (Audit Commission Document dated 17/3/06).

