



AGENDA

For a meeting of the
RESOURCES DEVELOPMENT AND SCRUTINY PANEL
to be held on
THURSDAY, 28 SEPTEMBER 2006
at
9.30 AM
in
COMMITTEE ROOM 1, COUNCIL OFFICES, ST. PETER'S HILL, GRANTHAM
Duncan Kerr, Chief Executive

Panel Members:	Councillor David Brailsford, Councillor Robert Conboy, Councillor Dorrien Dexter, Councillor Kenneth Joynson, Councillor Albert Victor Kerr, Councillor John Kirkman (Chairman), Councillor Reg Lovelock M.B.E. (Vice-Chairman), Councillor Andrew Roy Moore and Councillor Gerald Taylor
Scrutiny Officer: Scrutiny Support Officer:	Paul Morrison 01476 406512 p.Morrison@southkesteven.gov.uk

Members of the Panel are invited to attend the above meeting to consider the items of business listed below.

1. USE OF RESOURCES

Report attached.

(To follow)

WORKING STYLE OF SCRUTINY

The Role Of Scrutiny

- To provide a “critical friend” challenge to the Executive as well as external authorities and agencies
- To reflect the voice and concerns of the public and its communities
- Scrutiny Members should take the lead and own the Scrutiny Process on behalf of the public
- Scrutiny should make an impact on the delivery of public services

Remember...

- Scrutiny should be member led
- Any conclusions must be backed up by evidence
- Meetings should adopt an inquisitorial rather than adversarial style of traditional local government committees

Effective Use of Resources Issues Paper

Introduction

One of the key measures of the corporate health of the Council is the Use of Resources assessment, undertaken by the Audit Commission. In 2005/6 the Council was assessed overall as at level 2. Following the assessment the Council approved the “Effective Use of Resources” as a category A priority. This paper sets out the issues for inclusion in the action plan for improvement. Full details of the Key Lines of Enquiries are available on the Audit Commission website at the following address: www.audit-commission.gov.uk/kloe/downloads/UseOfResourcesKLOE.pdf.

The External Auditors have advised the Council that it is for each authority to consider which areas of the assessment they wish to be reassessed during 2006/7. Therefore, this paper also identifies the areas where the Council has the potential for an improved score and recommends those which should be considered for a revised self assessment and subsequent assessment by the Audit Commission.

Use of Resources Assessment

Overall SKDC achieved a level 2 assessment for Use of Resources in 2005/6. The “Key Lines of Enquiry” scores achieved by SKDC in 2005/6 are set out in the table below.

Key Lines of Enquiry (KLOE)	Score
Financial Reporting	1
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers	1
1.2 The Council promotes external accountability	2
Financial Management	2
2.1 The Council’s medium term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities	2
2.2 The Council manages performance against budgets	2
2.3 The Council manages its asset base	2
Financial Standing	2
3.1 The Council manages its spending within the available resources	2
Internal Control	2
4.1 The Council manages its significant business risks	2
4.2 The Council has arrangements in place to maintain a sound system of internal control	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
Value for Money	2
5.1 The Council currently achieves good value for money	2
5.2 The Council manages and improves value for money	2

Areas for review of Self Assessment

Having reviewed the Council’s scores and current performance I believe that we have scope to review our score for Financial Reporting. In particular, I believe we have sufficient evidence to aim for an increase from a score of 1 to 3 as the criteria we will have to prove are:

Financial Reporting Level 2 (1.1)

- Accounts prepared in accordance with statutory requirements, statutory timetables and relevant reporting standards and Council accounting policies
- Auditor received auditable accounts and statements within agreed timescale

- Accounts submitted for audit presented fairly, but contained several non-trivial errors
- Comprehensive working papers supporting accounts were provided at start of audit to the standard specified by the auditor
- Guidance made available to staff on final accounts closedown procedures, including timetables agreed with the auditor, allocation of tasks to individual staff
- Council ensured that appropriate knowledgeable & skilled staff were available to deal with auditors queries
- Auditor gave an unqualified opinion

Level 3 (1.1)

- Accounts submitted for audit presented fairly & contained only small number of non-trivial errors
- All additional requests from the auditor were responded to promptly & within deadlines
- Accounts submitted to council/committee meeting at which they were approved were accompanied by an explanatory paper providing interpretation of accounts and highlighting key issues for the benefit of members
- Accounts were subject to robust member scrutiny prior to approval

Level 3 (1.2)

- Council can demonstrate it is considering range of stakeholder views in making decision whether to publish an annual report
- Council publishes summary financial information that meets needs of range of stakeholders
- The most recent published accounts, in full or summary, are available on the Council's website
- The most recent published annual audit letter is available on the council's website.

The Council also has the opportunity to aim for a level 3 on **Financial Standing** however, one area has yet to be addressed, that is:

- 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.

The Council also has the potential to aim for level 3 for **Financial Management**, however, it is more realistic that this would be achievable within a longer timescale of 6 to 12 months as there are some areas of weakness or the need for further embedding of actions recently taken. Particularly in relation to:

- Corporate plan drives MTFS and internal resource allocation
- Corporate plan projects at least 3 years forward and takes account of
 - Stakeholder & partner consultation
 - External drivers
 - Capital investment plans & their revenue implications
 - Risk assessments and financial contingency planning
 - Sensitivity analysis
 - Expected developments in services
- MTFS is linked to internal strategies and plans eg IT & HR

- Project appraisals, business plans and affordability tests for new policy & capital developments
- Financial reporting is delivered to budget holders within 10 working days of month end
- Council's budget monitoring is predictive rather than backward looking and informed by risk assessment
- Progress in achieving planned savings & efficiency gains is reported regularly to senior management with developed action plans
- The Council makes investment and disposal decisions based on thorough option appraisal and whole life costing

The two areas where a considerable amount of work needs to be undertaken relate to the **Internal Control** and **Value for Money** KLOEs. An action plan to address these areas is being drawn together.

It is hoped that significant progress will be made once the Risk Management Team Leader commences work, however, the postholder will not be taking up post until December, because of notice periods.

In addition these two KLOEs will require a significant amount of input and ownership from the organisation as a whole, both members and officers. It will also require evidence of working with partners and the LSP to achieve VFM.

Conclusions

The Council will not be able to achieve an overall level 3 score for Use of Resources, without at least three of the themes being scored as a 3 and one of those areas will need to be VFM. The action plan currently being put together will aim to achieve a level 3 overall by the 2007/8 assessment (Autumn 2007). The Use of Resources assessment is a key component in the Comprehensive Performance Assessment, and Council's currently need to achieve at least a level 3 to achieve an Excellent rating at CPA.

It is therefore proposed that a self assessment for level 3 is submitted for Financial Reporting for 2006/7 and that the action plan for achievement of an overall level 3 is developed based on achievement at that level by 2007/8 assessment.

Sally Marshall
Corporate Head of Finance and Resources
21st September 2006