

AUDIT COMMITTEE	AGENDA ITEM No. 6
2ND NOVEMBER 2009	PUBLIC REPORT

Cabinet Member(s) responsible:	Resources portfolio holder, Cllr Seaton	
Contact Officer(s):	John Harrison, Executive Director Strategic Resources Steven Pilsworth, Head of Strategic Finance	☎ 452398 ☎ 384564

USE OF RESOURCES SCORES

R E C O M M E N D A T I O N S	
FROM : John Harrison, Executive Director Strategic Resources	Deadline date : N/A
The Committee is asked to consider, and endorse the final reports produced by External Audit in relation to the Use of Resources scores	

1. ORIGIN OF REPORT

- 1.1. This report is submitted by the Council's Section 151 Officer, the Director of Strategic Resources, being part of his statutory responsibilities.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to introduce the report from PricewaterhouseCoopers (PwC), the Council's external auditors, on the Council's Use of Resources scores in accordance with the Committees' Terms of Reference 2.8.1.5 ("To consider the external auditors letter, relevant reports, and the report to those charged with governance"). It is to inform Audit Committee of the Council's initial thoughts on planning for the next assessment.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. USE OF RESOURCES

BACKGROUND

- 4.1 Use of Resources is an external inspection undertaken by the Council's auditors. The Audit Commission is responsible for designing and implementing the Use of Resources Assessment model, but the actual assessment is undertaken by their appointed auditors for Peterborough, PricewaterhouseCoopers.
- 4.2 As the Council has improved its resource and financial management in recent years, this has been reflected in the Use of Resources assessment. The improvement up to 2008 can be seen in the table below:

	2008	2007	2006	2005
FINANCIAL REPORTING How good are the councils financial accounting and reporting arrangements?	4	4	2	1
FINANCIAL MANAGEMENT How well does the council plan and manage its finances?	3	3	2	1
FINANCIAL STANDING How well does the council safeguard its financial standing?	3	3	2	2
INTERNAL CONTROL How well does the council's internal control environment enable it to manage significant business risks?	3	2	2	2
VALUE FOR MONEY	2	2	2	2
OVERALL JUDGEMENT	3	3	2	2

- 4.3 For 2008/09 the assessment has changed significantly from that currently being used, and forms part of the Comprehensive Area Assessment (CAA). As well as the Use of Resources assessment, the Council will also receive a 'Managing Performance' assessment, and all public sector partners in Peterborough will receive a joint 'Area Assessment'. So far only the Use of Resources results are available.

2009 Use of Resources assessment

- 4.4 Whilst the previous assessment focussed on financial management, governance and asset management, the new arrangements are far broader in scope, encompassing areas such as commissioning, use of information and how we are managing our natural resources.
- 4.5 The requirements are also far more stringent. Performance that would have received a score of 4 in the previous assessment, will now only score a 3 in most areas. A specific example of this can be found in the financial reporting assessment. Previously, if 'The auditor considers any errors to be 'clearly trivial'', then that was sufficient for a score of 4 (a score that PCC achieved). In the new arrangements, this standard is only sufficient for a score of 3.
- 4.6 There has also been a change in focus away from being more strictly about processes and how we use them, towards considering whether these processes have led to improvement in outcomes for the community.
- 4.7 The requirements for new scores are outlined below:

Score	Level represented
1	Failure to meet minimum requirements – inadequate performance;
2	Meets only minimum requirements – performs adequately;
3	Exceeds minimum requirements – performs well; or
4	Significantly exceeds minimum requirements – performs excellently

It should be noted that the expectation is that level 4 performance represents national best practice. The Use of Resources guidance does not provide any guidance on what level 4 might look like (unlike levels 2 and 3). The Audit Commission have stated that they expect far fewer councils to be at this level than before (note that whilst the Council has received its results, results for all other Councils have not yet been released).

2009 Scores

4.8 The scores received relate to the 2008-09 financial year. The full outline, plus commentary, is included in the PWC report, but scores are summarised below:

Theme	Line of Enquiry	Score
Managing Finances	Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	3
	Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	3
	Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	3
	Overall Managing Finances score	3
Governing the Business	Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	3
	Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	2
	Does the organisation promote and demonstrate the principles and values of good governance?	3
	Does the organisation manage its risks and maintain a sound system of internal control?	3
	Overall Governing the Business score	3
Managing Resources	Is the organisation making effective use of natural resources?	2
	Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?	3
	Overall Managing Resources score (note that the natural resource score carries greater weight in this theme)	2

4.9 These scores demonstrate the continuous improvement in resource management in the council, given the higher standards of the new assessment process. Comments from the audit report that are especially pleasing include the following:

- Financial planning at the Council is timely and efficient.
- The Business Transformation programme has enabled the Council to manage its spending within available resources. It is also integral to the business planning Process.
- Service improvements are addressed with partners as well, through the introduction of an innovative "Solution Centre".
- Significant improvements in financial management enabled the Council to act quickly in response to the credit crunch. The impact of the economic downturn was highlighted early in the year and action was taken to address it.

- The Council's excellent financial reporting arrangements were recently recognised in a case study in the Audit Commission publication "Summing Up".
- Business process re-engineering techniques were used to improve assessment processes for vulnerable children, an approach that has led to improved performance and reduced costs.
- The Council has a strategic approach to asset management and a 10 year corporate property strategy that shapes its property portfolio against future needs in the Sustainable Community Strategy
- The Council can demonstrate it is improving the condition of its asset base and is actively working with partners to facilitate this.

4.10 Initial responses to how the Councils intends to take forward the observations made within the PwC report are outlined in appendix 1.

5. CONSULTATION

5.1 The draft PwC report was shared with the Executive Director Strategic Resources prior to being finalised.

6. ANTICIPATED OUTCOMES

6.1. That the Audit committee have the opportunity to question the External Auditor and to make observations on the Auditor's report.

6.2. That the Audit committee have the opportunity to review the Council's initial plan to address the observations made.

7. REASONS FOR RECOMMENDATIONS

7.1. The recommendations are made to advise the Committee of the transition to IFRS highlighting the work completed to date, and ensure involvement of the Committee in this process.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 There have been no alternative options considered in the preparation of this report and because the Committee is requested to make observations on the PwC report any alternative options will be considered at the meeting.

9. IMPLICATIONS

9.1. The implications are outlined in the report

10. BACKGROUND DOCUMENTS

(Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

PwC report – 'Use of Resources – Assessment Results'

Audit Commission guidance - http://www.audit-commission.gov.uk/firerescue/audit/uor/Pages/Default_copy.aspx

Initial comments on Audit observations

PWC observation	Initial Comment
Managing Finances	
Further engagement with local communities is required with regard to determining strategic priorities and financial planning. We understand that Neighbourhood Panels will be in place from October; it will be important that the Council demonstrates the outcomes of this initiative.	The first neighbourhood Panels were held in October. It is intended the key priority for these Panels will be to develop their neighbourhood plan. A round of Panels will be held in December, where it is intended that consultation on the emerging financial plan will be undertaken
Demonstrating how the Council has managed its finances during the recession will be a crucial element of the assessment against this KLOE in 2010.	The Council continues to monitor the impact of the recession on its finances in the current financial year (through monthly financial monitoring), as well as in future years through its financial planning arrangements. The revised Medium Term Financial Strategy will outline the position
In relation to the Business Transformation Programme, resources are required to establish how data can be captured centrally (e.g. to capture productivity and efficiency information) to enable non-cashable benefits to be effectively monitored.	The Business Transformation Programme Board oversees all projects, from business case through to implementation and benefits realisation. This includes cashable and non-cashable benefits.
During a period of organisational change (for example the Manor Drive programme and the managed IT service), the Council will need to ensure that the quality of its internal and external financial reporting arrangements is not compromised.	The Head of Strategic Finance is responsible for internal and external financial reporting arrangements, and also sits on the Strategic Resources Management Board. This ensures that the impact of such developments can be proactively managed. The Council has also taken steps to improve its internal financial reporting, through the implementation of the Qlikview system that delivers real-time financial information to budget holders desktops. The time saved from not having to produce reports manually is now spent on dealing with any issues arising.
Governing the Business	
Procurement savings need to continue to be achieved across the Council	The Business Transformation programme continues to investigate, plan and implement opportunities for procurement savings as part of the Councils financial and business planning arrangements.
The Council must ensure that it retains complete audit trails to support National Indicators.	A data quality strategy and policy has been created and communicated through a development group and departmental performance contacts. Whilst there is an emphasis on highlighting areas of risk and 'management by exception', further work is to be undertaken to reinforce arrangements over the coming year. An audit trail is provided by our performance plus system and

	supplemented by a spot check on high risk indicators
The Strategic Improvement Division should ensure that it undertakes a pro-active review programme of key data and performance information and takes appropriate action to identify and address weaknesses. Training for Members and Officers should continue to be provided where it is identified that there is a need to do so.	A corporate dashboard has been developed which signposts senior managers to issues of performance which is updated on a monthly basis. The dashboard also includes predictions for the next quarter performance to support managing performance. A detailed review and focus on performance by the corporate management team takes place every 6 weeks at the strategic improvement board. The corporate processes are mirrored at departmental level where on a monthly basis departmental performance is reviewed. In addition operations and children's services have their own dashboards.
Demonstrating appropriate governance arrangements in respect of the growth agenda and organisational change will be a crucial element of the assessment against this KLOE in 2010 and 2011.	The Council continues to keep governance arrangements under review. The Strategic Growth delivery board brings together relevant PCC staff and partners to monitor the position.
Managing Resources	
The Council needs to achieve clear reductions in its main resource use areas when measured using the same basis for calculation year-on-year (i.e., a real trend of reduced resource usage).	The Council is a participant in the Carbon Trust Local Authority Carbon Management Programme. This scheme has involved establishing baseline carbon emissions for PCC's Operations and committing to a reduction target – which is 35% of 2008/09 levels over five years. The programme will result in the development of a robust action plan detailing how we plan to achieve this target, the final document is due to go to full council in April 2010. This area of work currently focuses primarily on energy and transport, going forward other resources such as waste and water will be included.
The Council needs to work with partners to help reduce the Council's impact on the environment. Reductions in resource usage need to be quantifiable.	The Carbon trust work will support this alongside the work underway with the Climate Change Strategy which will provide support for organisations across the city. We are also considering amendments to the procurement process to ensure environmental impact is considered and quantifiable going forward.
Demonstrating how it manages its capital programme to ensure strategic priorities are achieved, in the context of an economic downturn, will be an important element of the assessment against this KLOE in 2010.	The Council has put in place a 'project gateway' process to ensure that all projects, including capital projects, only proceed if there is a sound business case, including a clear contribution towards priorities.