

**AGENDA ITEM: 9**

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Meeting	Audit Committee
Date	16 June 2011
<b>Subject</b>	<b>Use of Resources report and action plan</b>
Report of	Deputy Chief Executive (Section 151 Officer)
Summary	This report demonstrates the progress the council has made against the action plan produced following the comprehensive Use of Resources assessment by Grant Thornton in 2009-10

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Officer Contributors	Kari Manovitch (Head of Performance) Luke Ward (Performance Manager)
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix A: Use of Resources action plan
For decision by	Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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## **1. RECOMMENDATIONS**

- 1.1** That Audit Committee reviews the council's progress against the Use of Resources (UoR) action plan (Appendix A) that was produced in response to the 2010 external audit by Grant Thornton.
- 1.2** That Audit Committee considers whether there are any specific elements of the action plan (Appendix A) that it would like to receive a detailed follow up report on at its next meeting in December 2011.

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1** This is the second time that progress towards delivering the Use of Resources action plan has been reported to the Audit Committee. It previously went to the meeting on 7 December 2010 where it was agreed that an update on progress would be reported when it next met in June 2011.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1** The audit report and the action plan contribute to our corporate priority of Better services with less money.

## **4. RISK MANAGEMENT ISSUES**

- 4.1** An examination of the Use of Resources action plan by Audit Committee should contribute to an improvement of key control weaknesses across the council, and mitigate the risk of non-delivery.
- 4.2** Where internal control weaknesses are not addressed it significantly increases the probability that risks will materialise and loss, fraud or error will result.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1** Elements of the Action Plan in Appendix A that are relevant to equalities and diversity issues are recommendation 4.10 relating to procurement and contract management, and recommendations 5.9, 5.10 and 5.12 relating to workforce management.

## **6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)**

- 6.1** The contents of this report and appendices detail how well the council currently uses its resources and how it can improve.

## **7. LEGAL ISSUES**

- 7.1** None in the context of this report.

## 8. CONSTITUTIONAL POWERS

- 8.1 Within the council's Constitution, the functions of the Audit Committee are detailed and include "To consider the external auditor's annual letter, relevant reports and the report to those charged with governance".

## 9. BACKGROUND INFORMATION

- 9.1 The council's appointed external auditor Grant Thornton conducted the Use of Resources assessment of the council's performance in 2009-10, using the national framework established by the Audit Commission. This framework has now ceased to operate, however the results were valuable to the council in seeking to address areas of concern. The assessment was carried out between December 2009 and May 2010 and reviewed the council's arrangements against nine lines of enquiry:

Theme / KLOE		Notes
<b>Theme 1 - Managing finances</b>		
1.1	Financial planning	
1.2	Understanding costs	
1.3	Financial reporting	
<b>Theme 2 - Governing the business</b>		
2.1	Commissioning and procurement	
2.2	Use of data	
2.3	Good governance	
2.4	Internal control	
<b>Theme 3 - Other resources</b>		
3.1	Environmental management	Assessed in 2009 not 2010
3.2	Asset management	
3.3	Workforce management	

### Progress against the Use of Resources action plan

- 9.2 An action plan was developed to respond to the Use of Resources assessment setting out how each recommendation would be addressed, over what time scale, and who was responsible for delivery (Appendix A). Progress on these actions was reported at the meeting of the Audit Committee on 7 December 2011.
- 9.3 Appendix A is divided into two tables. The first table shows actions that are still being delivered and what work remains to be done on them. The second table (starting on page 10) shows actions that have been successfully completed and which have subsequently been closed.
- 9.4 Actions that have been closed are:
- The council's new Risk Management Strategy and Internal Audit strategies have been produced and approved
  - There has been increased use of benchmarking data to manage the performance of our support services
  - Security measures have been increased on data held by Environment and Operations

- Processes and systems are now in place to ensure that external grants are identified and completed.
- 9.5 There are however a number of actions that are outstanding. Some of these should have been completed but have encountered slippage/delay:
- The creation of a new central contracts team, which had been due in March 2011.
  - The implementation of the New Asset Management System (AMS) has been delayed from March 2011 to June 2011.
  - The Agricultural Strategy has been delayed from February 2011 to September 2011.
- 9.6 Monitoring of the action plan in this form will now cease and the outstanding actions will be monitored via the initiative and project monitoring mechanisms that are part of corporate performance monitoring.

## **10. LIST OF BACKGROUND PAPERS**

- 10.1 None, except for those appended.

Legal: MAM

Finance: JH

## APPENDIX A - Grant Thornton's Use of Resources action plan for Barnet Council 2010

This section gives an update on progress against the Use of Resources action plan developed in late 2010. Table 1 below shows recommendations that are still being actioned, or are only partially completed. Table 2 (page 11) sets out the actions that have been completed. Where only some actions for a recommendation are completed and others are not, the uncompleted actions are included in Table 1 and the completed actions are included in Table 2.

**Table 1: Use of Resources actions that are uncompleted**

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
3.7i	The council should address <b>capital slippage</b> , by reviewing individual projects for robust justifications and resourcing, through the Investments Approvals Board.	High	<b>Strategic Finance</b> A series of Investment Appraisal Board meetings to be held which will consider project management arrangements in respect of the capital programme. One element that these meetings will assess is slippage.	July 2011
3.11	The council needs to demonstrate that it has an understanding, at a service level, of the <b>links between costs and performance</b> and achievement of value for money	High	<b>All Directorates, supported by Finance &amp; Performance teams</b> There is a need for more comparative unit cost information to be used by Directorates in their assessment of value for money, and for this to feed into the quarterly performance report as part of a balanced scorecard. The AD Performance meeting in May agreed that an 'AD Stat' will take place at the end of June 2011 to agree these metrics.	By end June 2011
4.8	As part of the One Barnet programme the council should develop <b>sound contract monitoring</b> arrangements with third party providers and partners.	High	<b>Commercial Directorate</b> As a step towards this more strategic approach to contract monitoring we will be appointing two Procurement Programme Managers to join our commercial assurance division. They will advise on future contract management, contractual requirements and performance management of contracts.	A Council wide recruitment freeze had held this back. The first manager started in March 2011, and the second appointment is due to

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
			<p>Once the key complex procurements have been undertaken and contracts settled, the procurement programme managers will then resume the role of contract managers for the lifecycle of the contracts. This will ensure that they are performance managed effectively through a set of Key Performance Indicators and will ensure continuity and knowledge between contract negotiation and service delivery. A wider piece of work is underway to strengthen how the council procures and commissions goods and services. A key part of this will be the consolidation of the procurement activity. It is anticipated that a Contract Administration team will assume responsibility for managing all council contracts including contract performance monitoring.</p>	<p>commence on 6<sup>th</sup> June 2011.</p> <p>CDG approved consolidation report outlining the approach to creating a central contracts administration team in April 2011. An implementation paper is being presented to Chief Executive and Deputy Chief Executive on 2<sup>nd</sup> June. Go-live of centralised service expected by the end of 2011.</p>
4.9	The council should ensure that it is <b>consistent in its approach to evaluating procurement options</b>	<b>High</b>	<p><b>Commercial Directorate</b></p> <p>The council has already set its expectations within the Corporate Procurement Code of Practice. Furthermore the Procurement Strategy is currently being re-drafted. It is essential to ensure that a corporate approach and evaluation methodology is adopted to all procurement opportunities in order to ensure that VfM principles are embedded.</p> <p>The council's revised Procurement Code of Practice states that the council must follow a systematic approach to options appraisals which clearly set out benefits and outcomes of each option.</p> <p>The consolidation of the procurement activity into the core of the authority will facilitate greater and improved challenge through the evaluation process and ensure alignment with corporate priorities.</p>	<p>This has slipped in line with delays agreeing the scope of procurement consolidation and the scope of the Procurement Task and Finish review (see below). Both the Code of Practice and the Procurement Strategy will be published by September.</p>

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
4.10	More work is required on <b>reviewing the competitiveness of services</b> and whether they achieve value for money, while meeting wider social, economic and environmental objectives	Medium	<p><b>Commercial Directorate</b></p> <p>Whilst cost will be the main factor when considering procurement options it can not be the only one. The organisation must take into account other, non financial considerations, which may result in an overall better outcome for the Borough's citizens. This may include:-</p> <ul style="list-style-type: none"> <li>• Minimum labour standards</li> <li>• Disability, gender and equality matters</li> <li>• Employment and training issues</li> <li>• SME support</li> <li>• Community consultation</li> <li>• Community initiatives</li> <li>• Sustainability initiatives</li> </ul> <p>As part of the procurement consolidation process the council will improve the strategic approach on the application of assessment matrix which includes non financial considerations.</p>	Member Task and Finish Group have met. Whilst the final scope of their review is not finalised there is significant interest in developing a Procurement Strategy that creates enhanced opportunities for local suppliers. Revised Procurement Strategy to be launched during the summer 2011.
4.14	<p><b>NI 155 - Number of affordable homes delivered (gross)</b></p> <p>A written agreement covering data quality, data protection, and data quality controls should be made with the RSLs</p> <p>Compliance with data quality standards should form part of the annual objective of those staff who are responsible for compiling indicators.</p> <p>The council should continue to follow-up discrepancies with reported figures used by the DCLG.</p>	Medium	<p><b>Planning, Housing &amp; Regeneration</b></p> <p>RSLs have been contacted and written Data Quality &amp; Protection Agreements have been made with all RSLs except 2 who are currently reviewing the Agreement which will be returned by July.</p> <p>Discrepancies followed up and reconciliation completed</p> <p>Managers will ensure that suitable appraisal targets are included in the next round of appraisals, based on the level of involvement staff have in the process of producing and using data. The next round of appraisals will be carried out in Quarter 1 2011.</p>	<p>July 2011</p> <p>November 2010</p> <p>June 2011</p>

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
4.20	A review of governance arrangements of partnerships is required.	Medium	<p><b>Chief Executive's Service; Corporate Governance</b></p> <p>Scoping paper produced to review governance of LSP and One Barnet, covering;</p> <ol style="list-style-type: none"> <li>1. Are these structures fit for purpose as we move forward with One Barnet and support the transformation agenda?</li> <li>2. Should the current arrangements be streamlined?</li> <li>3. What should the role of partners be?</li> <li>4. How should the governance arrangements work in relation to community budgets?</li> </ol> <ul style="list-style-type: none"> <li>• Principles agreed at One Barnet Programme Board</li> <li>• Collapse LSP into One Barnet Programme Board and amend governance of latter.</li> <li>• Full review of governance of revised arrangements</li> </ul>	<p>Completed</p> <p>Completed</p> <p>Feb 2011 – update – report to Cabinet in July 2011 to implement.</p> <p>May 2011</p>
5.6	The Capital Assets Property Management Strategy (CAPS) should be reviewed to emphasise the focus on partnerships that is apparent within the One Barnet programme	High	<p><b>Commercial Directorate</b></p> <p>For instance, there are a number of strategies and plans in development to deliver this, including: Agricultural Strategy, Community Strategy (which will tie in with possible community use/management of existing assets), and a Disposal Strategy.</p>	<p>Agricultural Strategy by September 2011 – timeline revised to fit in with estates strategy action plan. The Community Building Strategy and Total Capital Project are also being implemented as part of the Estates Strategy Action Plan Slippage: This was scheduled for February 2011.</p>

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
5.7	The council should develop a <b>performance management framework for reporting of its asset base</b> , including key performance indicators	Medium	<p><b>Commercial Directorate</b></p> <p>The Directorate has a target to remodel and implement a new Asset Management System via the SAP optimisation project, which will be fully implemented by March 2011. Once the system is implemented we will be able to develop far more sophisticated measures around whole life costing, testing regimes, energy efficiency, disposals, repairing spend. These will be managed and reported through the quarterly Estates Management team meetings. In the meantime a performance indicator focusing on void management will continue to be monitored and actively managed.</p> <p>We have set ourselves a directorate target for 2011/12 that 95% of services managing assets manage their assets using the new asset management system by 1 September 2011. Progress will be monitored quarterly through the Commercial Directorate's quarterly budget and Performance management team meeting.</p>	<p>Asset Management System implemented by June 2011- timeline revised in line with SAP optimisation project timelines. On track in accordance with these timelines</p> <p>95% of services managing assets use Asset Management System by 1 September 2011.</p>
5.9	Once the council has robust fit-for-purpose data for its workforce it should <b>develop a workforce strategy</b> which links in with how One Barnet is to be delivered	High	<p><b>Human Resources</b></p> <p>Workforce Planning is a key objective in HR Business Plan 2010 / 2011 – Workforce Plan Report due in Qtr 4. This objective will however be delivered in the context of One Barnet.</p> <p>The Barnet workforce strategy is being developed and will run to the end of 2012.</p> <p>Developed a new contractual relationship model with employees. High level approved by CDG in June 2010 the first phase is to complete a review and develop a new policy framework and the policies, modernise the industrial and employee engagement framework, and manage variable pay elements</p> <p>Staff Engagement Plans exist for each of the One Barnet projects to support the One Barnet programmes with HR resource aligned. A process already exists and has been shared with the One Barnet Programme office and the</p>	<p>End of Qtr 4</p> <p>First draft by the end of Qtr 4</p> <p>This work will take place during 2011-12</p>

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
			Trade Union.	
5.10	The council should focus attention on having an appropriate performance management system to <b>appraise staff</b> . It should also devise plans to ensure appraisal rates improve.	Medium	<p><b>Human Resources</b> (part completed)</p> <p>Target has been set that <u>every</u> employee has a performance review and objectives set by 31 May 2011, and an interim review in September/October 2011</p> <p>launch of the Values and embed the People Performance Management strategy</p>	<p>Report on % completed in Qtr 1 and Qtr3 CDG Performance monitor</p> <p>June 2011 – September 2011</p>

**Table 2: Use of Resources actions that have been completed**

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
3.7	The council should address <b>capital slippage</b> , by reviewing individual projects for robust justifications and resourcing, through the Investments Approvals Board.	High	<p><b>Strategic Finance (Completed in part)</b></p> <p>Evidence of readiness to start the procurement process including how public engagement has been undertaken in any options appraisal will determine the timing of release of funding.</p> <p>Capital reports are already presented to CRC on a quarterly basis.</p> <p>Plans for the 2011/12 onwards capital programme are currently under consideration by Cabinet and will be approved on 14<sup>th</sup> February 2011.</p>	<p>By end December 2010</p> <p>Capital programme approved at Cabinet on 14 February 2011</p>
3.7	The council should facilitate member training on treasury management.	Low	<p><b>Strategic Finance</b></p> <p>Treasury management advisors Sector presented to CRC in April 2010 prompting detailed debate. It was well attended &amp; received by members. Consideration should be given to holding more events in the future.</p> <p>Member training concluded in July. More training needs to be planned in to ensure members can make informed decisions.</p> <p>Training programme has improved member understanding and ownership of the function and managing risks associated with investment and borrowing. It has also increased their ownership.</p> <p>Scrutiny is now more proactively engaging with monitoring.</p> <p>Controls and processes implemented that now ensure compliance with the agreed Treasury Management Strategy approved by members.</p> <p>The council now has Arlingclose as its investment advisors. A revised treasury management strategy was agreed by Cabinet Resources Committee on 30<sup>th</sup> November 2010.</p>	<p>30 June 2010 Sector provided overview training on treasury management</p> <p>21 July ARK Risk presented a training course on counter part risk</p>
3.12	Results from participating in cost benchmarking clubs (e.g. vehicle hire,	Medium	<p><b>Commercial Directorate</b></p> <p>IS has participated in SOCITM benchmarking for the first time in 2010. The questionnaire was completed in June with the final report due to be published late</p>	-Results of SOCITM benchmarking

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	recruitment, IT goods & services, buying solutions) should be analysed and reviewed for improvement purposes.		<p>October 2010. The draft results have been used to identify relevant IS performance measures and set performance improvement targets (using upper quartile performance as desired benchmark) and these are documented in the IS Business Plan 2010-11. Once improvement plans have been formalised we intend to publish performance measures as part of a dashboard on the intranet.</p> <p>As part of New Support Organisation Project for the One Barnet Programme, a number of our support services are partaking in the CIPFA benchmarking club for VfM benchmarking has been completed for 5 services: HR, Finance, IT, Estates, Procurement. This is to ensure that current and future decisions about how our support services are organised and delivered are driven by understanding of how VFM is achieved in support services. The results and best practice learned through the benchmarking will inform the options appraisal and recommendations for the NSO project, and are also highly relevant to the whole council as it moves forward in a challenging financial climate.</p>	<p>published late October 2010, results to inform IS Service Plan for 2011/12 and IS transformation project.</p> <p>- NSO/CSO options appraisal developed informed by benchmarking data January 2011 - done</p> <p>- Recommendations of NSO/CSO options appraisal published February 2011 NSO/CSO options appraisal developed and approved by CRC in February 2011.</p>
4.9	The council should ensure that it is <b>consistent in its approach to evaluating procurement options</b>	High	<p><b>Commercial Directorate (Completed in part)</b></p> <p>For projects within the One Barnet Programme the Board will be responsible for ensuring that options are explored and justified through options appraisal as per the revised Terms of Reference for the One Barnet Programme Board (previously Operational Group). To ensure that the development of Options Appraisals meets corporate expectations, the revised council's Project Management Standards demand a systematic approach to options appraisals.</p>	Implemented and in operation.

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
4.14	<p>NI 192 - Household waste recycled and composted</p> <p>Access to spreadsheets should be restricted to those staff requiring access as part of the compilation of the indicator. Options should be explored in protecting the formula contained within the spreadsheets used to ensure that they are not changed.</p>	Medium	<p><b>Environment &amp; Operations</b></p> <p>Access to relevant spreadsheets has been restricted. Access to the formulas will also be restricted.</p>	Access to formulas restricted on 08/10/2010
4.23	The council's Risk Management Strategy should be revised to include tolerance levels to assist officers in making important decisions, particularly around Future Shape.	High	<p><b>Risk</b></p> <p>RM strategy is currently being revised and will be taken to the Audit Committee in March 2011</p>	complete – went to Audit Committee in March and was approved by CDG in February 2011.
4.24	Information presented to the Audit Committee on risks needs to be improved to provide more concise information.	Medium	<p><b>Risk</b></p> <p>Risk Management will be included within the Internal Audit and Risk Management Quarterly report to the Audit Committee, this will include the corporate risks to the council and will include a 'heatmap' of where these risks currently sit in relation to probability and impact. This is consistent with the reporting of risks through the quarterly performance reports.</p>	completed in December 2010 and ongoing improvements noted since
4.25	Further improvements are required in Internal Audit to ensure that its	Medium	<p><b>Internal Audit</b></p> <p>Improvements are currently taking place within risk management arrangements to ensure that the current corporate, directorate and team risk registers can be used</p>	Internal Audit Strategy and

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
	strategy is based on the council's overall corporate risks		by Internal Audit to inform the overall strategy. The IA strategy for 2011-12 will be based on the risks facing the council and will be fluid to changes in risks throughout the year. The improvements in both risk management arrangements and IA strategy will ensure that the resources are appropriately directed, and lead to more effective service. Both Risk Management and Internal Audit have improvement plans with timescales of delivery that vary according to priority.	Internal Audit, Risk Management and CAFT Annual Plan for 2011-12 all approved by the Audit Committee in March 2011.
4.28	The grants coordination process should be improved to ensure all grants are identified and completed.	Medium	<b>Financial Services</b> The SAP, Systems, Control & Compliance Team are looking to implement 'Grant Finder' to assist in identifying grants which the authority may be able to claim. A demonstration by the company took place in August 2010. The team are currently reviewing the demo to ensure that it fulfils Barnet's requirement prior to making a purchase.	December 2010 The Grant Finder tool was purchased in December 2010. A Grant Finder awareness session was held in February 2011 and the tool has now been rolled out to services.
5.6	<b>The Capital Assets Property Management Strategy</b> (CAPS) should be reviewed to emphasise the focus on partnerships that is apparent within the One Barnet programme	High	<b>Commercial Directorate</b> We are in full agreement that the CAPS is not fit for purpose and will be replaced by a new Estates strategy The Commercial Directorate Business Plan sets out the key initiatives and actions to ensure that the directorate strategy for getting best effect from our public sector assets is achieved. These will inform and be captured within the new Estates Strategy. The objectives are: <ol style="list-style-type: none"> <li>1. Council has a full register of its own assets and those of its strategic partners</li> <li>2. corporate approach to asset management and planning is embedded across the council</li> <li>3. Asset management and planning are fully integrated into our business planning.</li> </ol>	Estates Strategy was approved 24 May by CRC. Estates Strategy Action Plan is now being implemented, led by AD Estates

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			<p>4. the council has a fit for purpose asset portfolio</p> <p>The Estates Strategy is significantly influenced by the One Barnet/OneBarnet programme principles of;</p> <ul style="list-style-type: none"> <li>• More efficient use of property</li> <li>• More effective use of property</li> <li>• More efficient and strategic use of our public sector systems.</li> </ul> <p>For instance, there are a number of strategies and plans in development to deliver this, including: Agricultural Strategy, Community Strategy (which will tie in with possible community use/management of existing assets), and a Disposal Strategy.</p> <p>A comprehensive mapping of all public sector assets in Barnet is also underway and will form the basis of future estates planning in relation to One Barnet</p>	progress reported in December 2010
5.10	The council should focus attention on having an appropriate performance management system to <b>appraise staff</b> . It should also devise plans to ensure appraisal rates improve.	Medium	<p><b>Human Resources</b></p> <p>The SAP Optimisation project –Phase 1 has improved the current system and process, making it easier for managers to complete performance reviews on line and for the organisation to monitor quality and report on completion rates.</p> <p>Workshops for managers on ‘How to manage performance and set objectives’ have taken place during March and will continue through to mid May</p> <p>Sponsorship from Kate Kennally to lead ‘Performing Well’ and support the launch of the Values and embed the People Performance Management strategy</p>	<p>Completed – launched 6 April 2011</p> <p>Mid May</p> <p>May 2011- on going</p>
5.12	There should be a focus on equipping senior managers with the necessary <b>change</b>	High	<p><b>Human Resources and One Barnet Programme (Completed in part)</b></p> <p><b>Managing the people impact</b> - governance structure and change management policies and processes are in place for the People &amp; Culture work stream of One</p>	Completed

No. / Ref.	Grant Thornton recommendation	Priority	Barnet Management response	Implementation timing
	<p><b>management skills</b> to ensure that the One Barnet is successful.</p>		<p>Barnet.</p> <p>Up skilling on project management framework for project managers, project leads and project sponsors so there is a consistent approach and quality assurance (including TUPE, Elias, Business Analysis, Procurement Process, and Approach to Competitive Dialogue, Risk Analysis, and Role of the Project Manager).</p> <p>Training has taken place on TUPE and equalities impact assessments.</p> <p>Assistant Director engagement plan is being drawn up to improve communication, provide tools and offer support. To include: critical learning points from One Barnet this quarter to be discussed at CLG (e.g. TUPE, procurement, setting up a trading company, citizen centre organisations etc); debriefs with ADs after One Barnet programme board meetings; regular surgeries with HR, Procurement and One Barnet programme office.</p>	<p>By March 2011 Project managers and ADs trained in key Barnet frameworks and requirements i.e. equalities impact assessments.</p>