

AUDIT COMMITTEE 4 SEPTEMBER 2006			AGENDA ITEM
NEIGHBOURHOOD RENEWAL FUND (NRF)			
Summary of report: This report attaches the 4 issued internal audit reports in relation to NRF. As discussed at the previous meeting, these are advanced copies to enable preparation for discussion at the 16 October 2006 meeting at which relevant officers will be present. Members are asked to bring their copies of these reports to the October meeting.			
Background papers: Internal audit reports.			
Reason for scrutiny: Members asked at the last meeting that these reports be presented for detailed scrutiny.			
Recommendations: 1. To receive the 4 internal audit reports issued by internal audit in respect of NRF for consideration at the meeting on 16 October 2006. Signed:			
Executive Director: Carole Evans 2006			7 August
Resource and legal considerations: None directly relating to this report.			
Citizen impact: None directly relating to this report.			
Environment impact: None arising directly from this report.			
Performance Management and Risk Management Issues: Many audit committee activities are an important and integral part of the council's performance management and corporate governance frameworks.			
The Four NRF Reports Details of the three 3 unplanned / irregularity investigations regarding NRF undertaken by internal audit between July 2004 and September 2005, in response to an officer raising concerns regarding NRF, are set out below and overleaf. These reports have been completed by internal audit under a joint arrangement with the Audit Commission.			
Internal Audit Report:	Period subject to	Issue Date:	Recipients of Report:

	audit:		
NRF Administrative Costs Internal Audit Report See Appendix 1	2003/04 2004/05	Nov 2004	WBSP Partnership Director Head of Finance (RHBE) Principal Partnership Officer
NRF Approvals & Spend Internal Audit Report See Appendix 2	2003/04	June 2005	WBSP Partnership Director Head of Finance (RHBE) Principal Partnership Officer
NRF Internal Audit Report (extracts quoted in the Express & Star) See Appendix 3	2003/04 2004/05	Feb 2006	WBSP Partnership Director Head of Finance (R&NS) Principal Partnership Officer

Internal Audit also completed an unplanned / irregularity investigation regarding NRF in August 2002, following an officer raising concern, resulting in the following report:

Internal Audit Report:	Period subject to audit:	Date:	Recipients of Report:
NRF Special Investigation Report See Appendix 4	2002/03	Sept 2002	Interim Head of Housing & Regeneration Acting Assistant Chief Executive Head of Finance

Equality Implications:

None arising from this report.

Consultation:

All internal audit reports, including these, are discussed and agreed with relevant senior managers. Following completion of each piece of audit work, and before issuing the final version, the manager's agreement to implement recommendation(s) listed in the audit report action plan is sought.

Vision impact:

None directly related to this report.

Contact Officer

David Blacker – Chief Internal Auditor

☎ 01922 652831

✉ blackerd@walsall.gov.uk

Walsall Metropolitan Borough Council
Internal Audit Service

Neighbourhood Renewal Fund
Administrative Costs

Audit Report 2004 / 2005

CONTENTS

EXECUTIVE SUMMARY

- A. Introduction
- B. Work Undertaken
- C. Background
- D. Overall Conclusions
- E. Summary of Findings
- F. Recommendations

AUDIT OPINION & ACTION PLAN

**Private & Confidential
Neighbourhood Renewal Fund
Administrative Costs
Audit Report 2004/2005**

EXECUTIVE SUMMARY

A. Introduction

1. A series of reports and communications have been forwarded in confidence by a council officer to internal audit between March and July 2004, detailing a number of concerns / allegations regarding the council's use, management and administration of neighbourhood renewal fund (NRF).
2. Internal audit has shared the main concerns identified by the officer with the chief executive, executive director for finance, law & performance management (*Section 151* officer) and executive director, regeneration, housing and the built environment on 9 and 14 July 2004, respectively.
3. ██████, Audit Commission manager, has also been made aware of the issues by the source. It was agreed with the Audit Commission that the investigation would be undertaken jointly between internal audit and the Audit Commission, with internal audit taking the lead role.
4. Each concern / allegation requiring investigation has been risk assessed by the Audit Commission manager and internal audit to enable the more urgent matters to be addressed as a priority. This report is the first in a series of reports summarising the findings of the investigation and concentrates on issue rated as the highest priority - the use of NRF to fund the administrative costs of the local strategic partnership (LSP). The nature of this concern is as follows:-

The government requires partners within LSP's to collectively meet the administration costs of the LSP. If a partnership decides to use NRF to meet its administrative costs then the LSP should consult and receive approval from government office to ascertain whether this is an allowable use of NRF.

In Walsall, although it was believed permission to fund an NRF Co-ordinator post and some additional administrative expenses was obtained at the start of the NRF programme, there was concern that no formal approval has been received by the partnership from government office recently. Given that administrative expenditure funded from NRF has risen sharply in recent months and is estimated to be between £844k and £1.2m, there is the concern that Walsall MBC, as accountable body for these funds, could be at risk of claw-back of NRF.

**Private & Confidential
Neighbourhood Renewal Fund
Administrative Costs
Audit Report 2004/2005**

B. Work Undertaken

1. The following guidance documents have been reviewed:-
 - *Neighbourhood Renewal Unit Special Grant Report (No. 78), March 2001.*
 - *Local Government Finance Special Grant Report (No. 93), February 2002.*
 - *Local Government Finance Special Grant Report (No.111), February 2003.*
 - *The Neighbourhood Renewal Fund Grant Determination 2004 (No.31/19), May 2004.*
2. Discussions have been held with [REDACTED], partnership director, Walsall Borough Strategic Partnership and officers within the WBSP secretariat.
3. LAFIS printouts and spreadsheets detailing administration costs funded from NRF have also been examined.

C. Background

1. Since 2001, NRF has aimed to enable the 88 most deprived authorities, in collaboration with their LSP, to improve services thereby narrowing the gap between deprived areas and the rest of England.
2. NRF can be used in any way that tackles deprivation in the most deprived neighbourhoods, particularly, but not exclusively, in relation to floor targets and to local targets set out in the local neighbourhood renewal strategy agreed by each of the LSPs. NRF spending plans are to be determined by each local authority, working with, and as part of, an LSP.
3. Where service quality is at risk or requires improvement, it is strongly desirable that funding should go to mainstream services, such as schools – provided the funding benefits the most deprived areas. The money can be used to support not only local authority services but those of other organisations, including other members of the LSP.
4. Walsall MBC has received the following allocations of NRF:-
 - 2001/02 - £3.56 million
 - 2002/03 - £5.34 million
 - 2003/04 - £7.12 million.
5. Walsall MBC is also to be allocated £7.12 million per annum for the periods 2004/05 and 2005/06.

**Private & Confidential
Neighbourhood Renewal Fund
Administrative Costs
Audit Report 2004/2005**

D. Overall Conclusions

1. Concerns raised with regard to NRF were partially substantiated. Approval from GOWM had not been sought for the administrative costs of the LSP in 2003/04, although approval had been sought in 2001/02 and 2002/03 following a recommendation made in an earlier internal audit report. The officer raising concerns was, however, inaccurate in that GOWM **approval** is not required in 2002/03 and subsequent years, local authorities should merely '**consult**' with GOWM applying the concepts of proportionality and value for money. Recommendations detailed within this report will address this concern.
2. It was claimed that LSP administrative costs had 'risen sharply in recent months, estimated between £844k and £1.2m (for 2004/05)'. For 2004/05, the Partnership Director anticipates costs to be £392k. This is significantly less than that reported in the original concern.
3. This review has, however, identified a number of control weaknesses with regard to the management of NRF to fund LSP administrative costs. The recommendations made in this report should assist in this respect.

E. Summary of Findings

1. ODPM Guidance

- 1.1 In 2001/02, Neighbourhood Renewal Unit Special Grant Report (No. 78), March 2001, states 'if authorities want to use some of the grant to pay some of the administration costs of the LSP, the authority will have to make the case to the satisfaction of the Secretary of the State that doing so would contribute to addressing deprivation and that such funding could not be reasonably secured from any other source. If local authorities do wish to use NRF monies to fund the administration costs of LSP's they should contact their Government Office as soon as possible. They will need the Secretary of State's approval before the money can be spent in this way'.
- 1.2 A list of frequently asked questions issued at this time, states 'NRF should be used to improve services to improve outcomes in the most deprived neighbourhoods. It is not intended to fund the development of LSP's. The Government believes it is essential for local people to develop effective and representative LSP's, but this should not mean establishing costly new administrative arrangements. LSP's should build on and rationalise existing partnership arrangements'.
- 1.3 In 2002/03, in the Local Government Finance Special Grant Report (No.93), February 2002, 'the Government expects LSP partners collectively should meet the administration costs of the LSP. However, the Government recognises that this may take time to establish and that meanwhile, the proper functioning of the LSP may be hampered without secure administrative funding. In such cases, the LSP should consult the Government Office to

Private & Confidential
Neighbourhood Renewal Fund
Administrative Costs
Audit Report 2004/2005

ascertain whether some or all of the administrative costs in question might be acceptable charges to the NRF'.

- 1.4 In 2003/04, in accordance with the Local Government Finance Special Grant Report (No.111), February 2003, guidance was in line with that given in 2002/03, with the addition that 'the Government understands the difficulties LSP's – and particularly those in smaller districts – face in developing and reviewing local neighbourhood renewal strategies and establishing performance management and monitoring systems. LSP's may therefore want to consider using some NRF to support these processes, where this expenditure would be proportionate and represent good value for money. Again LSP's should consult the Government Office to ascertain whether some or all of the administrative costs in question might be acceptable charges to the NRF and keep them informed of progress'.
- 1.5 For 2004/05, in accordance with The Neighbourhood Renewal Grant Determination 2004 (No. 31/19), May 2004, under the heading LSP administration and performance management, 'The Government continues to expect that LSP partners collectively should normally meet the administration costs of the LSP. However, the Government has always recognised that an LSP may need to use a proportion of its NRF allocation to ensure that it has secure administrative funding needed for the effective planning and management of LSP activity. LSP should consult the Government Office to ascertain whether some or all of their administrative costs might be acceptable charges to the NRF'. Additionally 'the Government has also previously acknowledged the need for and difficulties associated with establishing systems for reviewing, monitoring and improving local neighbourhood renewal strategy delivery and broader LSP performance. Hence, LSP's have been and continue to be encouraged to use NRF to support these processes and they should, again, consult Government Office to discuss how such expenditure might be proportionate and represent good value for money.

Conclusions

- **Administrative costs refer to the administrative costs of LSP's. No further definitive guidance on what constitutes administrative costs appears to exist.**
- **It appears that Government Office *approval* was required in 2001/02, which has since been relaxed in 2002/03 and subsequent years to Government Office *consultation*. There is no further guidance regarding what constitutes sufficient evidence of 'consultation'. It does however, imply that a degree of agreement from Government Office is required.**
- **In 2003/04, LSP's were asked for the first time to consider applying the notions of value for money and proportionality when using NRF to fund administrative costs of the LSP.**

Private & Confidential
Neighbourhood Renewal Fund
Administrative Costs
Audit Report 2004/2005

2. ODPM approval / consultation

2001/02 and 2002/03

2.1 The neighbourhood renewal fund investigation internal audit report issued in 2002/03 recommended that 'necessary approval should be sought from Government Office West Midlands (GOWM) for £40k of NRF being used to fund secretariat functions of the LSP from the policy and urban regeneration budget'. This recommendation was agreed and actioned by [REDACTED], the acting director, regeneration and housing, at that time.

2.2 A letter from [REDACTED], GOWM dated 1 April 2003 to [REDACTED], then Chair of Walsall Borough Strategic Partnership, confirmed the following:-

'I can confirm 'in principle' the use of NRF to resource the LSP's secretariat costs in years 1-3. However, we do require you (the LSP) to set out the actual costs of the secretariat, number of posts and other administrative expenditure, plus the contribution the partners are making towards these costs (in cash or kind). We also need an indication of how the partnership intends to resource the secretariat after year 3. Please let us have these details showing current and proposed future levels of expenditure on the Secretariat. You will also need to show the expenditure in your statement of use returns'.

2.3 A response to this letter was sent by [REDACTED] to [REDACTED] on 15 April 2003, including a breakdown of costs for years 1 (2001/02) and anticipated costs for year 2 (2002/03) including 'administrative costs, posts and building revenue costs'. The summary of costs attached to the letter detailed £5,030 in year 1 and a prospective £40,715 in year 2. In year 3 (2003/04) the letter states 'the programme manager will continue to be funded by NRF. This post will be replaced by the strategic director. It is envisaged that this post will also be funded by NRF, but discussions are taking place regarding it being a jointly funded post between the council and the primary care trust Part of this second report will also raise the issue of what happens to funding the partnership beyond year 3. As announced, Walsall will receive a further two years NRF funding. Guidelines for use of this funding are yet to be received, but it may be that some of this funding may be used to continue to support the partnership. It is hoped, however, that Partners will begin to pool their resources in order to fund posts and revenue costs'. No pooling of resources by the LSP for such costs has, however, been noted to date.

Conclusion

- **Approval has been obtained 'in principle' for £5k of actual costs 2001/02 and £40k of projected costs for 2002/003. This approval was sought retrospectively for 2001/02 following a recommendation made in an internal audit report 2002/03.**

**Private & Confidential
Neighbourhood Renewal Fund
Administrative Costs
Audit Report 2004/2005**

2003/04 and 2004/05

- 2.4 An e-mail was sent on 26 April 2004 from ██████, northern communities team - GOWM, to ██████, head of finance, regeneration, housing and the built environment confirming that 'NRF can be used to support secretariat costs'. A further e-mail was sent by ██████, GOWM on 15 July 2004 to ██████ stating 'it is acceptable to use NRF to support the delivery capacity of LSP's. I am trying to track down evidence to support the position. Though the early guidance did not allow NRF to be used for LSP secretariats this was subsequently relaxed in a letter from ██████ about 12-18 months ago. You may need this letter... I will attempt to find it'.

Conclusion

- **GOWM has indicated in correspondence with the council, that it is acceptable to use NRF to support LSP administrative costs in 2003/04. Guidance for 2003/04 states that the council should consult with GOWM. No indicative costs of NRF used to support LSP administration costs has, however, been forwarded to GOWM to allow meaningful consultation to take place.**

3. LSP approval of NRF for LSP administration costs

- 3.1 Guidance has generally stated that recipient authorities should agree the use of NRF with their LSP's. NRF was first awarded to the council in April 2001. The LSP did not meet until 15 October 2001. Guidance at that time, in Special Grant Report No 78 (2001/02) stated 'while the local authority is to decide how the NRF grant is to be spent in 2001/02, it will make sense for the authority to consult LSP's where they already exist, or, where LSP's do not yet exist, emerging LSP's or other local partners'. It follows that in the period prior to the LSP becoming established and accredited, the council could decide how NRF was spent in 2001/02.
- 3.2 In 2002/03 and subsequent years, guidance states that 'local authorities will be assumed to be collaborating with LSP partners to agree NRF spending plans'.
- 3.3 The following projects, funded from NRF, constitute administrative costs of the LSP and have been approved as follows:-

Project	Approval by LSP	Note
Confident communities	Not approved	Initial allocation of NRF approved by council in 2001/02 (see 3.1 above).
WBSP administration	Deferred at 23.9.02 meeting of the LSP	'Project deferred at the September meeting pending further information'.

**Private & Confidential
Neighbourhood Renewal Fund
Administrative Costs
Audit Report 2004/2005**

Conclusion

- **No formal approval from the LSP has been obtained for projects designed to fund LSP's administrative costs. Confident communities was part of the initial allocation of NRF monies and as such was approved by the council, WBSP administration was deferred at one meeting of the LSP but not subsequently formally minuted as approved.**

4. Accounting Arrangements

4.1 Administrative costs of the LSP are managed under the 'community development unit budget'. The budget includes non LSP administrative costs such as neighbourhood resource centre allocations, community development unit costs and local committee costs. During 2003/04 the overall budget was spent on the following projects: -

Project	2003/04
Confident communities	£290,000 (NRF)
Neighbourhood resource centres	£60,000 (NRF)
Project manager costs	£143,500 (NRF)
Skills escalator	£100,000 (NRF)
WBSP administrative costs	£50,000 (NRF)
Mainstream	£52,394
Total	£695,894

4.2 Most of this expenditure was coded to ledger codes R516 2728 (community development unit) and R516 274X (local strategic partnership). The following constitutes the costs to these codes in 2001/02 – 2003/04:-

Code	2001/02	2002/03	2003/04
R516 2728	187,055	208,697	255,480
R516 274X	5,199	57,377	117,841
Total	192,254	266,074	373,321

4.3 This accounting arrangement has the following implications:-

- Costs are not allocated to project codes; hence it is not possible to clearly identify expenditure incurred on projects and which projects are therefore under / over spent.
- An accurate full cost of administering the LSP cannot easily be identified for GOWM consultation purposes.
- For 2001/02 and 2002/03 where approval has been sought from GOWM for LSP administrative costs – an accurate full cost figure may not have been given.

Private & Confidential
Neighbourhood Renewal Fund
Administrative Costs
Audit Report 2004/2005

- 4.4 It was further identified that the community development budget was monitored by the principal partnership officer via a spreadsheet, rather than using information produced directly from the ledger. Until the audit, no reconciliation had been undertaken from the spreadsheet to LAFIS.
- 4.5 For 2004/05, the partnership director anticipates administrative costs of the LSP at £392,843. The total WBSP infrastructure budget is anticipated at £1.17million, which includes commissioning, project management, neighbourhood management and LSP development (skills escalator programme).

Conclusion

- **The accounting arrangements for LSP administrative costs are inadequate and require urgent review. Costs cannot be identified to specific projects, and therefore an accurate full cost of administering the LSP is not easily available. The council are therefore unable to currently demonstrate accountability and sound control arrangements with regard to this area.**

F. Recommendations

1. Consultation with GOWM regarding the use of NRF to support LSP administrative costs should be sought as a matter of urgency. This should constitute a letter to GOWM detailing a breakdown of the administration costs of the LSP for 2003/04 and projected administration costs of the LSP for 2004/05. The letter should seek GOWM's consultation on these costs. The letter should also demonstrate how this expenditure is considered proportionate and represents good value for money. Further, evidence from GOWM that this expenditure is acceptable should be obtained and retained on file.
2. In 2005/06, NRF guidance from GOWM should be reviewed and action taken where necessary to ensure the council's full compliance with government expectations.
3. Formal approval should be obtained (and clearly minuted) for WBSP administrative costs at the next meeting of the LSP. Any subsequent spend identified as not formally approved in minutes of the LSP should also be sought as a matter of urgency.
4. Accounting arrangements for administration costs of the LSP should be reviewed. This should include the urgent address of the following:-
 - Each NRF project should be accounted for separately under a discrete ledger code.
 - Administrative costs of the LSP should be clearly identifiable and transparent on the ledger. A definition of what constitutes LSP administrative costs should be sought from GOWM and applied.

Private & Confidential
Neighbourhood Renewal Fund
Administrative Costs
Audit Report 2004/2005

- Where spreadsheets are used to monitor NRF spend, the balance should be reconciled to ORACLE on a regular monthly basis.
 - Support from a finance professional should be sought as a matter of urgency.
5. The LSP should ensure that administrative costs remain proportionate to the total NRF spend and represent good value for money. Consideration could be given to applying the 5% rule (a ceiling of 5% of total cost of grant funded scheme can be spent on management and administration) as recommended for other programme management arrangements such as Single Regeneration Budget (SRB).
6. The partnership director should receive regular and prompt financial information detailing NRF spend against codes and the available budget should be provided. Budgets should be monitored and managed by the partnership director in accordance with the council budget management and control manual and corrective action taken where necessary. Should administration costs exceed that budgeted / consulted to GOWM, GOWM should be notified immediately to enable appropriate action to be taken.

**NEIGHBOURHOOD RENEWAL FUND
ADMINISTRATION COSTS
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Recommendation	Response	Responsibility & Timescale
1.1	* * *	Consultation with GOWM regarding the use of NRF to support LSP administrative costs should be sought as a matter of urgency. This should constitute a letter to GOWM detailing a breakdown of the administration costs of the LSP for 2003/04 and projected administration costs of the LSP for 2004/05. The letter should seek GOWM's consultation on these costs. The letter should also demonstrate how this expenditure is considered proportionate and represents good value for money. Further, evidence from GOWM that this expenditure is acceptable should be obtained and retained on file.	Letter sent to GOWM dated 18 August 2004 detailing a breakdown of the administration costs of the LSP for 2003/04 and projected administration costs of the LSP for 2004/05. GOWM's consultation was requested. A recent discussion with GOWM confirms that a response has been prepared which will be forwarded on receipt.	Partnership Director / August 2004
1.2	* * *	In 2005/06, NRF guidance from GOWM should be reviewed and action taken where necessary to ensure the council's full compliance with government expectations.	This recommendation assumes that government guidance will be available for 2005/06. Given that it cannot be actioned until any such guidance is available, it is appropriate for it to be a priority 3 recommendation?	Partnership Director / 2005/06

**NEIGHBOURHOOD RENEWAL FUND
ADMINISTRATION COSTS
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Recommendation	Response	Responsibility & Timescale
1.3	***	Formal approval should be obtained (and clearly minuted) for WBSP administrative costs at the next meeting of the LSP. Any subsequent spend identified as not formally approved in minutes of the LSP should also be sought as a matter of urgency.	<p>This can be undertaken at the WBSP Board on 11 November 2004.</p> <p>This will be programmed in for the next year at the AGM on March / April 2005.</p>	<p>Partnership Director / November 2004</p> <p>Partnership Director / March /April 2005</p>

**NEIGHBOURHOOD RENEWAL FUND
ADMINISTRATION COSTS
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Recommendation	Response	Responsibility & Timescale
1.4	* * *	<p>Accounting arrangements for administration costs of the LSP should be reviewed. This should include the urgent address of the following:-</p> <ul style="list-style-type: none"> • Each NRF project should be accounted for separately under a discrete ledger code. • Administrative costs of the LSP should be clearly identifiable and transparent on the ledger. A definition of what constitutes LSP administrative costs should be sought from GOWM and applied. • Where spreadsheets are used to monitor NRF spend, the balance should be reconciled to ORACLE on a regular monthly basis. • Support from a finance professional should be sought as a matter of urgency. 	<p>With the move to the commissioning framework and a major change in the way NRF funding is allocated i.e. by monthly claims based on evidence of defrayed expenditure, the accounting arrangements have been fundamentally restructured.</p> <p>A procedure note for reimbursement following approval by the commissioning executive has now been produced. All claims for projects / commissions will be reimbursed from the specific code. Income received by Walsall MBC as accountable body will be held on a specific NRF oracle code set up for that purpose.</p> <p>Spreadsheets are still maintained and will be reconciled to Oracle, within WBSP secretariat to ensure no unauthorised expenditure is allocated to this code.</p> <p>The head of finance, RHBE and group accountant, community, regeneration and housing, both have an active role in providing financial support to the partnership director and commissioning executive.</p>	<p>Implemented.</p> <p>To date GOWM have not agreed a final definition of 'administrative costs' the NRA guidance refers to 'core costs' to 'run' the LSP.</p>

**NEIGHBOURHOOD RENEWAL FUND
ADMINISTRATION COSTS
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Recommendation	Response	Responsibility & Timescale
1.5	* * *	The LSP should ensure that administrative costs remain proportionate to the total NRF spend and represent good value for money. Consideration could be given to applying the 5% rule (a ceiling of 5% of total cost of grant funded scheme can be spent on management and administration) as recommended for other programme management arrangements such as Single Regeneration Budget (SRB).	The total cost of the staff supporting NRF is £450,526 (including revenue costs and programme management). This equates to 6.4% of the current year's allocation of £7.12 million. This includes programme management support, finance support and operational management. This is well within the 10% limits set for NDC and European funding programmes. Furthermore, a meeting is scheduled for 4 November 2004 with key partners to discuss the implications for mainstreaming the costs of the WBSP secretariat.	Partnership Director / November 2004.

**NEIGHBOURHOOD RENEWAL FUND
ADMINISTRATION COSTS
AUDIT OPINION & ACTION PLAN**

ACTION PLAN

Ref	Priority	Recommendation	Response	Responsibility & Timescale
1.6	* * *	<p>The partnership director should receive regular and prompt financial information detailing NRF spend against codes and the available budget should be provided. Budgets should be monitored and managed by the partnership director in accordance with the council budget management and control manual and corrective action taken where necessary. Should administration costs exceed that budgeted / consulted to GOWM, GOWM should be notified immediately to enable appropriate action to be taken.</p>	<p>RHBE finance provide a monthly financial monitoring report to the commissioning executive which details:-</p> <ul style="list-style-type: none"> • The amount allocated to each project / commission; • Actual spend to date / profiled spend to date and forecast out-turn; • Approved funding for future years; and • Traffic light risk indicators. <p>NRF spend etc. is also incorporated into the monthly consolidated RHBE financial monitoring report that is reported to the RHBE management team (of which the partnership director is a member). The report is also incorporated in the corporate monitoring report that is reported to cabinet.</p> <p>Whilst recognising the significance of this issue, as accountable body we need to put into context against the backdrop of the risk to the council of NRF spend in total. This is a more significant risk and therefore we should be mindful about notifying government office immediately of overspending on administration costs. GOWM are not prepared to establish a precedent of approving funding for one LSP in the country, where there are not processes or mechanisms in place to approve funding of any LSP.</p>	<p>Head of Finance, RHBE / Group Accountant RHBE Implemented.</p>

Walsall Metropolitan Borough Council
Internal Audit Service

**Neighbourhood Renewal Fund
Approvals and Spend 2003/04**

Audit Report 2004 / 2005

CONTENTS

EXECUTIVE SUMMARY

- A. Introduction
- B. Work Undertaken
- C. Background
- D. Overall Conclusions
- E. Summary of Findings
- F. Recommendations

AUDIT OPINION AND ACTION PLAN

APPENDICES

Private & Confidential
Neighbourhood Renewal Fund
Approvals and Spend 2003/04
Audit Report 2004/2005

EXECUTIVE SUMMARY

A. Introduction

1. A series of reports and communications were forwarded in confidence by a council officer to internal audit between March and July 2004, detailing a number of concerns / allegations regarding the council's use, management and administration of neighbourhood renewal fund (NRF).
2. Internal audit shared the main concerns arising with the chief executive, executive director for finance, law & performance (*Section 151* officer) and executive director, regeneration, housing and the built environment (RHBE) on 9 and 14 July 2004, respectively.
3. ██████, audit commission manager was also made aware of the issues with regard to NRF, by the source. It was agreed with the audit commission that the investigation would be undertaken jointly between internal audit and the audit commission, with internal audit taking the lead role.
4. Each concern / allegation requiring investigation was risk assessed by the audit commission manager and internal audit to enable issues to be prioritised. During the course of the investigation, ██████, senior programme officer, single regeneration budget (SRB), submitted a spreadsheet to the audit commission during one of their routine final accounts audit enquiries, detailing a list of all projects funded via NRF in 2003/04 for which he claimed that for most projects, no evidence of spend could be identified, see **Appendix A**.
5. The evidence was considered and it was agreed with the audit commission manager at a meeting of 9 August 2004, attended by the assistant director of finance, director of the partnership, head of finance, RHBE, and the internal audit manager that the following piece of work should be undertaken as a priority to identify evidence of Walsall Borough Strategic Partnership's (WBSP, *the LSP*) approval of projects over £40k and evidence of payment being made for projects over £40k.
6. The findings of the review were initially discussed with executive director, finance, law & performance on 25 October 2004 and additional evidence was forwarded, by the Walsall Borough Strategic Partnership to internal audit on 11 November 2004. This report summarises the findings of the review.

Private & Confidential
Neighbourhood Renewal Fund
Approvals and Spend 2003/04
Audit Report 2004/2005

B. Work Undertaken

1. The following work was undertaken:-
 - A review of minutes of the LSP from 15 October 2001 to 31 March 2004 for evidence of project approval for projects over £40k.
 - A review of minutes of the LSP dated 5 July 2004.
 - A review of project documentation and payments made from NRF to Walsall MBC managed projects and projects managed by external organisations over £40k.

2. A review of the following guidance documents was also undertaken:-
 - *Neighbourhood Renewal Unit Special Grant Report (No. 78), March 2001.*
 - *Local Government Finance Special Grant Report (No. 93), February 2002.*
 - *Local Government Finance Special Grant Report (No.111), February 2003.*
 - *The Neighbourhood Renewal Fund Grant Determination 2004 (No.31/19), May 2004.*

C. Background

1. Since 2001, NRF has aimed to enable the 88 most deprived authorities, in collaboration with their LSP, to improve services thereby narrowing the gap between deprived areas and the rest of England. It is one of the features of NRF that the grant can be used to support main stream funding. Another is that when first introduced, the guidance from ODPM was limited and non specific.

2. NRF can be used in any way that tackles deprivation in the most deprived neighbourhoods, particularly, but not exclusively, in relation to floor targets and to local targets set out in the local neighbourhood renewal strategy agreed by each of the LSPs. NRF spending plans are to be determined by each local authority, working with, and as part of, an LSP.

3. Where service quality is at risk or requires improvement, it is strongly desirable that funding should go to mainstream services, such as schools – provided the funding benefits the most deprived areas. The money can be used to support not only local authority services but those of other organisations, including other organisations within the LSP.

4. Walsall MBC has received the following NRF allocations:-
 - 2001/02 - £3.56 million
 - 2002/03 - £5.34 million

Private & Confidential
Neighbourhood Renewal Fund
Approvals and Spend 2003/04
Audit Report 2004/2005

- 2003/04 - £7.12 million.

5. Walsall MBC has been allocated £7.12 million per annum for 2004/05 and 2005/06.

D. Overall Conclusions

1. The initial concern appears to have arisen as a result of SRB officers attempting to apply the standard financial framework used for SRB, to NRF which do not necessarily align.
2. The audit has, however, identified issues and control weaknesses in the approval of projects and payments made from NRF in the sample provided, which relate to the 2003/04 financial year.
3. A lack of evidence to fully support relevant approval of NRF spend in 2003/4 was identified. 12 projects were identified from the sample, totalling £1.4 million (20.1% of total NRF allocation), which could not be agreed to evidence of formal LSP approval. As such, the council could be criticised for non compliance with government office guidance, officers may not be affording themselves adequate protection and the council, as accountable body to these funds, could ultimately be criticised.
4. Positive steps have, however, been taken by the council to address such issues and to improve the control environment with regard to NRF. The council has a new approach to the way in which NRF is spent, based on an innovative commissioning model; a commissioning executive has been established, its purpose to consider and approve NRF commissions; project management and retrospective approval has been sought and received from the LSP for NRF allocations where minutes were believed to be in 'question'. For completeness, where there is issue of further doubt regarding approval of NRF spend (such as those projects highlighted within this report) retrospective approval from the LSP should be sought.
5. In reviewing evidence to support 2003/04 NRF allocations, payments could largely be supported to invoices where funds were allocated outside of the council or to a ledger transfer where funds were used for internally managed projects. Control weaknesses were, however, noted including the occurrence of 2 duplicate payments totalling £208,213.
6. A review and tightening of the approvals and allocations processes should ensure such issues are prevented in future. The recommendations made in the action plan included within this report will assist in this respect.

**Private & Confidential
Neighbourhood Renewal Fund
Approvals and Spend 2003/04
Audit Report 2004/2005**

E. Summary of Findings

1. Requirements for Approval of NRF spend

- 1.1 The Neighbourhood Renewal Unit Special Grant Report (No. 78), March 2001 states that 'while the local authority is to decide how the NRF grant is to be spent in 2001/02, it will make sense for the authority to consult LSPs where they already exist, or, where LSPs do not yet exist, emerging LSPs or other local partners'.
- 1.2 The Local Government Finance Special Grant Report (No. 93), February 2002, Local Government Finance Special Grant Report (No.111), February 2003 and the Neighbourhood Renewal Fund Grant Determination 2004 (No.31/19), May 2004 state that for 2002/03, 2003/04 and 2004/05 respectively 'the local authority shall agree the use of grant with the LSP'.
- 1.3 NRF was awarded to Walsall MBC in April 2001. Walsall Borough's LSP did not meet until their inaugural meeting of 15 October 2001. For the first year allocation, Walsall MBC could therefore decide how NRF would be spent. After the 15 October 2001, it follows that the NRF spend should have been formally approved by the LSP and documented as such in the minutes of their meetings.

Conclusions

- **In 2001/02, the first year allocation of NRF, local authorities could decide how NRF grant was to be spent, although guidance at that time states that it made sense for the authority to 'consult with emerging LSP's / local partners' where LSP's did not yet exist.**
- **In 2002/03 and subsequent years, local authorities were asked to agree the use of NRF with their LSP. In 2001/02 Walsall LSP did not meet until 15 October 2001 i.e. relatively late in the financial year. NRF spend was therefore agreed by the council, as the local authority accountable for the funds.**

2. Testing of Approvals

- 2.1 All projects with a spend in 2003/04 over £40k, listed in [REDACTED] original submission (**Appendix A**) were reviewed to ensure sufficient evidence of approval had been obtained.
- 2.2 NRF spend allocated to projects prior to the LSP's formation in October 2001 which were still being funded in 2003/04, was agreed to a report detailing the first year spend of NRF as set out in a report to policy & resources committee dated 20 February 2002. Subsequent NRF spend requiring the official

Private & Confidential
Neighbourhood Renewal Fund
Approvals and Spend 2003/04
Audit Report 2004/2005

approval of the LSP, has been agreed to the relevant minutes of the LSP. The results of this exercise are detailed in a spreadsheet at **Appendix B**.

- 2.3 From **Appendix B**, it can be seen that for 2003/04, 12 projects or £1.4 million (20.1%) of NRF spend included within the sample, appeared to have no formal relevant approval.
- 2.4 For projects carried forward in 2003/04 which were initially approved by the council in 2001/02, that is, prior to the formation of the LSP, the following issues were noted:
- Projects may have been approved by the council in 2001/02 but many have been funded for 2002/03 and subsequent years. It may have been prudent for the council to have taken subsequent years spend on these projects for approval by the LSP. This would have ensured a more open and accountable approach to the council's use of NRF with its partners.
 - Amounts awarded in 2001/02 to projects did not always agree to the amounts subsequently awarded to those projects in 2003/04. For example, home start (project ref: B04) was allocated £40k in 2001/02 but incurred £71.5k in 2003/04; pupil referral unit (project ref: C04) was allocated £40k in 2001/02 but incurred £250k in 2003/04; and wiring communities (project ref: F11) was allocated £125k in 2001/02 but incurred £225k in 2003/04. No additional approval from the LSP appears to have been sought for the further NRF funding allocated to these projects.
 - There were also projects which appeared to have a higher allocation of agreed funding in 2001/02 to that actually spent in 2003/04. For example, secure by design (project ref:A03) was allocated £130k in 2001/02 but only £103k was spent during 2003/04 and confident communities (project ref:F01) was allocated £290k in 2001/02 but only £231k was spent during 2003/04.
 - 2 projects were identified which appeared to be cited under the same approval (domestic violence unit, management (project ref: A05) and domestic violence stepping stones (project ref:B03). This implies that either no approval has been obtained for one project, or the project has been doubly accounted for.
 - The audit trail is often difficult in agreeing projects to evidence of approval. For example approval for building safer communities, Walsall mini re-loaded 'feb fab fun' project (project ref: A18) was cited under the lead in commission for CSU which was approved by the LSP in their meeting of 15 November 2003. Where there is a lack of clarity, it may be difficult to justify that adequate approval has been obtained.
- 2.5 For NRF allocations carried forward in 2003/04, but initially allocated after the LSP's formation in October 2001 and hence requiring LSP approval, the following issues were noted:

Private & Confidential
Neighbourhood Renewal Fund
Approvals and Spend 2003/04
Audit Report 2004/2005

- For Walsall health & work (employers) (project ref: D05); early interventions (project ref:D11); and development of person centred planning (project ref:F03), no evidence of approval by the LSP could be identified from minutes.
- Certain projects (Walsall health and work employees (project ref: B10); falls prevention (project ref: B11); Walsall schools inclusion forum (project ref: C17); voluntary and community sector NRF policy support (project ref: F14); litter hit squad (project ref: H04) and brown bins (project ref: H05)) were put on the agenda for the LSP, but delegated back to the programme board for consideration. Although the programme board reported back to the LSP at a meeting dated 24.3.03, no minute of the LSP *formally* approving these projects was made.
- The neighbourhood management project (project ref: G05) was noted as the 'secondment to partnership' item on the 21.1.03 meeting of the LSP. The LSP resolved to approve the project *in principle*, with a more detailed proposal being brought to the next meeting. No item was however, identified at subsequent meetings.
- No evidence of approval could be identified for the local connexions manager project (project ref: G08) as it had been accounted for twice (funded twice) under the young people's consultation framework (project ref: G03).

2.6 The following general points were also noted:-

- Where evidence of project approval was identified in minutes of the LSP, no indication of the value / amount of NRF funding allocated to the project or the timescale for which funding would be available (i.e. 1 year, 2 years, life of NRF allocation) was noted and approved in minutes.
- Although identified as a minor issue, some projects may have changed their name / be known under different names. For example the Walsall summer reloaded project (project ref: G06) was approved as the summer activities project and the neighbourhood management project (project ref: G05) was noted the 'secondment to partnership' project. Some consistency in project name is required to fully justify audit trail for approval.
- Quoracy appears to be an issue. For example in the approval of the Walsall summer reloaded project (project ref: G06) on 16 June 2003 the meeting became inquorate and hence 'decisions would be made in principle and ratified at the next meeting'. Minutes of the next meeting of the LSP on 21 July 2004 made no reference to the summer reloaded project or relevant approval.

2.7 As part of a review of the LSP, quoracy issues were identified by the then, head of programme management, resulting in a late report entitled 'approval of governance arrangements of the Walsall borough strategic partnership' being submitted and approved by the LSP at their meeting of 5 July 2004
Appendix C. The Board approved:-

Private & Confidential
Neighbourhood Renewal Fund
Approvals and Spend 2003/04
Audit Report 2004/2005

- that all decisions made were in line with the intention of the joint strategy board;
- all funding agreements for 2003/04;
- the current arrangements of the LSP; and
- new arrangements are made for recording all business conducted at board meetings.

2.8 Retrospective approval was sought for a number of projects including the following noted as exceptions in the audit sample above:-

- Walsall summer reloaded (project ref:G06) was retrospectively approved.
- Certain projects were retrospectively approved but not for the amount actually spent in 2003/04. For example: falls prevention (project ref:B11) was retrospectively approved but for £15k when a total of £150k was spent during 2003/04; neighbourhood management co-ordinator (project ref: G05), retrospectively approved at £38,200 when £50k was spent in 2003/04; and brown bins (project ref:H05) retrospectively approved at £50k when £134k was spent in 2003/04.
- Walsall health and work (employees) (project ref:B10); Walsall schools inclusion forum (project ref:C17); Walsall health and work (employers) (project ref D05); early interventions (project ref: D11); development of person centred planning (project ref: F03); voluntary and community sector NRF policy support (project ref:F14); and litter hit squad (project ref: H04) however, remain as issue and require some formal minute of approval.

Conclusions

- **12 projects totalling £1.4 million of NRF allocation were identified where evidence of appropriate approval was not available due to weaknesses noted in the approval process, such as a lack of fully comprehensive evidence of *formal* approval of NRF spend and meeting inquiracy. The council has, however, taken positive steps to address this issue in the development of a commissioning executive; obtaining retrospective approval for a number of projects; and employing the assistance of constitutional services in compiling the minutes of the LSP.**
- **Some further approvals are required to ensure completeness. The recommendations detailed within the action plan of this report will assist in this respect.**

3. Requirement for evidence of spend

3.1 The Neighbourhood Renewal Unit Special Grant Report (No. 78), March 2001 set out that NRF is intended:

Private & Confidential
Neighbourhood Renewal Fund
Approvals and Spend 2003/04
Audit Report 2004/2005

'to provide additional resources for local authorities to improve mainstream services in the most deprived areas, including contribution to the achievement of the floor targets to narrow the gap between deprived areas and the rest of the country'.

'The grant will be non ring fenced. It can be spent in any way that will tackle deprivation in the most deprived neighbourhoods. The money can be spent on improving services, particularly, but not exclusively, in relation to the floor targets. It is both acceptable and strongly desirable where service quality is at risk or requires improvement, that NRF funding should be devoted to mainstream services such as schools, provided that the funding benefits the most deprived areas. The grant can be used to support services provided not only be the local authority, but also by organisations that are members of the LSP'.

- 3.2 This continued to be applied in 2002/03, 2003/04 and 2004/05 in the Local Government Finance Special Grant Report (No. 93), February 2002, Local Government Finance Special Grant Report (No.111), February 2003 and the Neighbourhood Renewal Fund Grant Determination 2004 (No.31/19), May 2004.
- 3.3 No further requirement for the management and administration of NRF is given. This is unlike other grant funding regimes for which the council is accountable body such as single regeneration budget (SRB), new deal for communities (NDC) or European funding. The council has, however, its own internal control environment including provisions required under its financial procedure rules which set out the basis by which such funds should be managed and controlled.

Conclusions

- **Statutory requirements for the administration of NRF are not as tightly structured as other similar grant regimes such as SRB, NDC and European funding. As accountable body for NRF, the council should adhere to its own internal control framework, of which financial procedure rules form part, in managing and administering NRF funds.**

4. Testing of Evidence of Spend
- 4.1 It was agreed with the audit commission manager that for NRF allocations of £40k and over made to external bodies, evidence of payment based on invoice was required. For NRF allocations of £40k and over made to council managed projects, evidence of appropriate accounting / transfer of funding on the ledger was required.
- 4.2 The results of the exercise are detailed in a spreadsheet at **Appendix D**.

Private & Confidential
Neighbourhood Renewal Fund
Approvals and Spend 2003/04
Audit Report 2004/2005

4.3 From **Appendix D**, it can be seen that NRF allocations to external bodies could largely be supported by an invoice from the recipient, with the following exceptions which total £209k or 2.8% of the total allocation:

Duplicate Payments

- The local connexions manager project (project ref: G08) payment of £134,174.54 to Black Country Connexions had no corresponding invoice. Further investigation identified this payment to be a duplicate payment to Black Country Connexions in relation to the young people's consultation framework project (project ref: G03). The payment, raised on 1 April 2004, had not been honoured as the cheque and remittance were being held within the programme management team awaiting invoice. It appears that the project's change of name has been the reason for the confusion in this instance.
- A further duplicate payment was identified by the exercise for £75,038.99 made payable to Walsall PCT for the falls prevention project (project ref: B11). The duplicate had arisen out of programme management staff receiving a claim for £74,038.99 from the PCT on 20 February 2004, following the programme management team's request to the PCT for evidence of expenditure. A cheque for £74,038.99 was then raised by the programme management team on a 'collect basis'. On 2 March 2004, the PCT submitted an invoice which was passed by the partnership director to central finance for payment via BACS and hence a duplicate occurred. The original cheque raised by the programme management team was re-banked on 26 July 2004, but not before it had been selected by the audit commission in their sample of un-presented cheques as part of the final accounts audit. This issue appears to have arisen out of a lack of clarity of responsibilities in the changeover in administration of NRF which passed from central finance to programme management in the latter quarter of the 2003/04 financial year.

Invoice Detail

- It was identified that invoices from external organisations did not always give sufficient detail / clarity, enabling a clear audit trail between the request for payment (invoice) and the project to which it related. For example Walsall PCT's invoice in respect of the Walsall health and work (employees) project (project ref: B10) cited only 'employment retention – project for one quarter' as the invoice description. This is particularly salient as this organisation manages 2 projects with broadly similar names (Walsall health and work (employees) and Walsall health and work (employers) (project refs: B10 and D05)).
- An invoice was identified from the Domestic Violence Forum in relation to the domestic violence stepping stones project (project ref: B03). The invoice date was 28 July 2002, but was stamped as received on 1

Private & Confidential
Neighbourhood Renewal Fund
Approvals and Spend 2003/04
Audit Report 2004/2005

August 2003. It appears that the invoice date was a 'typo', and should have read 28 July 2003. This, however, causes confusion in applying evidence of expenditure to the correct financial year.

- NRF allocated to SERCO projects were supported in some instances by an invoice from SERCO and on other occasions payments were made to SERCO via journal transfer. This represents a lack of consistency and carries the risk of duplicate entries.
- There was no invoice to support payments to Black Country Connexions in respect of the Walsall schools' inclusion forum project (project ref: C17). 2 cheques for £25k and £105k had been raised on a Walsall MBC pro-forma invoice. This is essentially a breach of financial procedure rule 8.2.2.

4.4 From **Appendix D**, NRF allocations to council managed projects could largely be agreed to the ledger, with the following exceptions:

- Evidence of journal input had not been identified in 3 instances (project refs: G05, H02 and H07). It is possible that this data exists and has been lost in transit between financial services and programme management when responsibilities transferred. Journal input forms should be sourced and filed.
- There appears to be some overspends between NRF allocations credited to internal projects and the final project spend on LAFIS at closedown. For example £95k was allocated to community safety in 2003/04 but the final spend on LAFIS at closedown was £108,105. It should be ensured that internally managed projects keep within their initial NRF allocation, with relevant approvals sought for any variation / additional allocation required.

Conclusion

- **Payments from NRF could largely be supported by either an invoice from the recipient organisation in the case of external allocations, or a correct transfer between ledger codes for internal Walsall MBC allocations.**
- **There were some exceptions, including the identification of 2 duplicate payments, and clarity of detail on invoices to enable a clear audit trail between request for payment (invoices) and the relevant project. The recommendations detailed within the action plan of this report will assist in this respect and should be implemented as a matter of urgency.**

F. Recommendations

1. Recommendations have been included within the action plan attached to this report.

**Private & Confidential
Neighbourhood Renewal Fund
Approvals and Spend 2003/04
Audit Report 2004/2005**

Approvals

ACTION PLAN					
Ref	Report Ref	Priority	Recommendation	Response	Responsibility & Timescale
1.1	E2.4	***	NRF spend on projects initially 'approved' by the council as part of the 2001/02 allocation, but funded in subsequent years (i.e. 2002/03, 2003/04, 2004/05 and 2005/06) which have not been formally approved by the LSP, should be retrospectively approved by the LSP, to ensure an open and accountable approach to the use of NRF. This will also ensure complete compliance with government guidance which states <i>'the local authority shall agree the use of (NRF) grant with the LSP'</i> .	The majority of these have since received subsequent approval at the WBSP board. Any outstanding projects identified will be ratified by the board's July meeting.	Head of Finance (RHBE) July 2005.
1.2	E2.4, E2.5, E2.8	***	Formal approval from the LSP should be retrospectively obtained for all projects where formal evidence of approval has not been formally obtained or where approval is not clear. This review should include all projects funded via NRF in 2002/3, 2003/04 and 2004/05. Further, it should be ensured that amounts retrospectively approved match actual expenditure for the year approval is being sought.	Any outstanding projects identified will be ratified by the board's July meeting. This will be for actual expenditure incurred.	Head of Finance (RHBE) July 2005.

**Private & Confidential
Neighbourhood Renewal Fund
Approvals and Spend 2003/04
Audit Report 2004/2005**

ACTION PLAN					
Ref	Report Ref	Priority	Recommendation	Response	Responsibility & Timescale
1.3	E2.4	***	Where additional allocations of NRF are made to existing projects from the amount originally approved, any additional amounts allocated should also be taken for approval or retrospective approval by the LSP.	<p>Agreed – any outstanding projects will be ratified at the board's July 2005 meeting.</p> <p>Now under the Commissioning Framework, both original and additional allocations are approved by the Commissioning Executive.</p> <p>Any budget changes are reflected in the monthly financial monitoring report.</p>	Head of Finance (RHBE) July 2005.
1.4	E2.4, E2.6	***	<p>Where NRF allocations are approved by the LSP in future periods, the following should be clear from the minutes:-</p> <ul style="list-style-type: none"> • the name of the project / commission; • the amount (£) of NRF allocated; and • the financial period to which funding will relate (i.e. 2004/05, until 2005/06 etc.). 	<p>The commissioning executive minutes now reflect all of these requirements. Letters are issued to each commission lead officer detailing what has been approved, as reflected in the minutes.</p> <p>Grant agreements / commissioning agreements are issued each financial year, which detail milestones and financial profiles, per month.</p> <p>A monthly financial monitoring report is taken to each commissioning executive meeting. This reflects the total approved budget, forecast expenditure and any actual / forecast variation. The report identifies any perceived risks to the spend on individual projects / Commissions and overall NRF allocation.</p>	Implemented.

**Private & Confidential
Neighbourhood Renewal Fund
Approvals and Spend 2003/04
Audit Report 2004/2005**

ACTION PLAN					
Ref	Report Ref	Priority	Recommendation	Response	Responsibility & Timescale
1.5	E2.4	***	Where projects are known under similar names, for example: domestic violence unit management and domestic violence stepping stones; Walsall work and health (employees) and Walsall work and health (employers), care should be taken to ensure that the LSP and NRF administrators do not confuse projects. Approvals, payments and management of projects should be clearly identifiable to the relevant project.	This is ensured through the commissioning process and commissions maintain their title throughout all documents. Each commission has an individual project reference.	Implemented.
1.6	E2.4, E2.5, E2.6	***	Where decisions are taken on projects or commissions by the LSP, care should be taken to ensure the correct project name / commission is minuted against the decision, for the avoidance of doubt.	As above.	Implemented.
1.7	E2.5	***	Where projects are submitted for approval by the LSP but are either 'delegated' elsewhere, 'approved in principle', or 'approved subject to the provision of further information', the appropriate follow up action should be included on the agenda of the next meeting of the LSP to ensure issues have been appropriately resolved and decisions made are clearly minuted as such.	The commissioning executive is the only group to approve any NRF spend, therefore, removing the need to delegate approval to another group. Any "agreed in principle" are reported back to the Executive for approval. This is recorded in the minutes and actions brought forward to the following meeting.	Implemented.

**Private & Confidential
Neighbourhood Renewal Fund
Approvals and Spend 2003/04
Audit Report 2004/2005**

ACTION PLAN					
Ref	Report Ref	Priority	Recommendation	Response	Responsibility & Timescale
1.8	E2.5, E4.3	* * *	<p>Duplicate payments from NRF have been identified. A clear procedure for the processing of payments in respect of NRF should be drafted, detailing relevant roles and responsibilities and should be communicated to officers. Further, prior to allocations / payments being made, officers responsible for authorising such transactions should be reminded to ensure:</p> <ul style="list-style-type: none"> • that payment / allocation is in respect of an approved project; • that payment / allocation has not already been made; • that payment / allocation is accurate; • that the correct ledger code has been applied; • and that payment is made against an appropriate invoice in the case of external payments. 	<p>Programme management is now solely responsible for processing claims / payments and ensuring that evidence is collected to back up any claim. A working group meets which brings together the principal partnership officer (leading on commissioning {NRF}), programme management and finance to ensure spend is on track, claims are being made and milestones are reached.</p> <p>A monthly financial monitoring report is taken to the commissioning executive by head of finance (RHBE), to determine what the current position is, ask questions and see areas of responsibility for any under-performance. This reflects the total approved budget, forecast expenditure and any actual / forecast variation. The report identifies any perceived risks to the spend on individual projects / commissions and overall NRF allocation.</p> <p>The executive is chaired by executive director (finance, law and performance), which allows for robust advice / guidance on the accountable body contract and procedure rules. A joint performance report is being developed to give feedback on both performance (indicators) and financial overview of each commission.</p>	Implemented.

**Private & Confidential
Neighbourhood Renewal Fund
Approvals and Spend 2003/04
Audit Report 2004/2005**

ACTION PLAN					
Ref	Report Ref	Priority	Recommendation	Response	Responsibility & Timescale
			Cont.	<p>This is produced by the shared partnership information resource.</p> <p>There is dedicated finance and programme management support for NRF.</p> <p>Staff involved in the process will be reminded of the need to ensure that they comply with the council's financial procedure rules.</p>	Head of Finance (RHBE) End June 2005.
1.9	E2.6	***	Officers should be reminded that all decisions made at meetings of the LSP should be made by a quorate LSP. Where a decision is made at an inquorate LSP, it must be approved at the next available quorate meeting.	<p>Meetings are now recorded as quorate / inquorate. Support from the council's constitutional services for the WBSP board now ensures decisions are implemented and actions reported back to next meeting.</p> <p>For the commissioning executive, a robust system of agenda planning and financial reporting alleviates these issues.</p>	Implemented.

**Private & Confidential
Neighbourhood Renewal Fund
Approvals and Spend 2003/04
Audit Report 2004/2005**

Evidence of Spend

ACTION PLAN					
Ref	Report Ref	Priority	Recommendation	Response	Responsibility & Timescale
2.1	E4.3	***	<p>The process of raising cheques in advance within programme management requires urgent review by the programme management team. This point was raised in the 2003/04 SRB internal audit report.</p> <p>It is recommended that this practice ceases immediately in respect of NRF payments and the recommendation made at 1.8 of this report is immediately implemented.</p>	<p>No payment is made for a claim unless sufficient and auditable evidence has been received.</p> <p>In some cases, claims have not been fully paid, whilst evidence is sought to back up the full claim. This allows some payment to go through to the relevant organisation, but also shows commitment to providing the correct evidence.</p>	Implemented.

**Private & Confidential
Neighbourhood Renewal Fund
Approvals and Spend 2003/04
Audit Report 2004/2005**

ACTION PLAN					
Ref	Report Ref	Priority	Recommendation	Response	Responsibility & Timescale
2.2	E4.3	***	<p>The overall process for management and administration of NRF payments within the programme management team requires review. This review should include a documented and agreed procedure by which NRF is managed within that section and what deliverables are required from the partnership to enable the team to robustly administer and control payments made from NRF. It is recommended that the following is established and communicated to relevant members of staff:-</p> <ul style="list-style-type: none"> • evidence of approval of NRF spend communicated to the programme management team from the partnership; and • authorisation required before payments are made. 	<p>See above.</p> <p>All payments are authorised by the NRF accountant and the head of programme management and neighbourhoods, before being issued.</p> <p>Improved programme management monitoring forms have been produced, which will allow for better management of each commission, monthly profiled spend, earlier warnings if a commission is not performing (either financially or milestones), which allows the commissioning executive to take actions at the earliest opportunity and makes the lead officers more accountable.</p> <p>Grant agreements / commissioning agreements are issued to lead officers, by programme management, signed by the partnership director, head of programme management and neighbourhoods, and finance, as well as the lead officer.</p>	Implemented.

**Private & Confidential
Neighbourhood Renewal Fund
Approvals and Spend 2003/04
Audit Report 2004/2005**

ACTION PLAN					
Ref	Report Ref	Priority	Recommendation	Response	Responsibility & Timescale
2.3	E4.3	***	<p>An overall review of the roles and responsibilities in relation to the council's management and administration of NRF between the partnership and programme management is required. This should provide a clear demarcation of responsibilities which are documented and communicated to relevant staff.</p> <p>An accountable body agreement for the management and administration of NRF is also recommended between the council and the LSP to assist in this respect.</p>	<p>As 2.1 / 2.2 above.</p> <p>Currently under discussion.</p>	<p>Implemented.</p> <p>Head of finance (RHBE) July 2005.</p>
2.4	E4.3	***	<p>NRF recipients requesting payment on invoice should be asked to make clear on their invoice the following information:-</p> <ul style="list-style-type: none"> • the name of the project / commission to which their invoice relates; • the financial year for which the allocation relates; and • a correct invoice date. <p>Any invoice received without this information should be queried and resolved before payment is made.</p>	As 2.1 / 2.2 above.	Implemented.
2.5	E4.3	***	Officers should be reminded that payment should only be made in respect of a proper VAT invoice and in accordance with financial procedure rule 8.2.2.	Advice on VAT is sought from finance.	Implemented.

**Private & Confidential
Neighbourhood Renewal Fund
Approvals and Spend 2003/04
Audit Report 2004/2005**

ACTION PLAN					
Ref	Report Ref	Priority	Recommendation	Response	Responsibility & Timescale
2.6	E4.3	***	The process by which payments are made from NRF in respect of SERCO should be clarified and communicated to relevant officers.	Now contained within the learning commission. Invoices and full evidence are received. Journal transfers are processed. All finance communication with SERCO is undertaken with their accountant.	Implemented.
2.7	E4.3	***	Officers should be reminded that payments from NRF should not be raised to external organisations based on a Walsall MBC pro-forma invoice.	Not Agreed. It is important to recognise that some external organisations cannot raise invoices to the council. The process is that claims are submitted by the external organisation, along with satisfactory evidence to validate the claim, eg, invoices paid. A pro forma invoice is then raised to pay the claim.	NA
2.8	E4.4	***	Officers should be reminded to ensure that journal input forms detailing the internal transfer of NRF to council budgets are filed securely.	Files have been standardised. These are being updated on advice from Head of Finance (RHBE). A journal only takes place if we have received a valid claim, with the appropriate supporting evidence.	Implemented.

**Private & Confidential
Neighbourhood Renewal Fund
Approvals and Spend 2003/04
Audit Report 2004/2005**

ACTION PLAN					
Ref	Report Ref	Priority	Recommendation	Response	Responsibility & Timescale
2.9	E4.4	***	<p>Officers responsible for internally managed NRF projects should be reminded that expenditure should be kept within the initial allocation of NRF. Where overspends are likely, relevant approvals should be sought from the relevant sub group of the LSP.</p> <p>Management information in respect of internally managed NRF allocations should be reviewed by a responsible officer. This review should ensure that any potential overspends are identified and the relevant corrective action taken on a timely basis.</p>	<p>Covered in monthly commissioning executive finance report.</p> <p>Advice sought from Head of Finance (RHBE) regarding management information.</p> <p>Commissioning executive approvals are all evidenced.</p>	Implemented.

get from
BW
5/8/04

Project No	Projects title	Contact Project Manager	Organisation	Spend on LAFIS at Final Closedown 2003/2004	Clawback	Some evidence of spend provided
A01	CCTV		Community Safety	188,000.00		N
A02	Community Safety		Community Safety	108,105.76		N
A03	Secure By Design		Community Safety	103,000.00	£83,852.00	N
A04	Youth Offender Team		Walsall MBC, Social Services	50,000.00		N
A05	Domestic Violence Unit (Management)		Domestic Violence Forum	48,000.00		Y
A06	Offender Management Scheme (Walpop)		Community Safety	112,400.00	£20,843.52	N
A07	Leamers CCTV		Community Safety		£74,929.50	N/A
A08	Slows Street		Environmental Regeneration	22,082.00	£27,891.81	N
A09	Mobile Warden Scheme		Community Safety	74,814.00	£26,186.38	N
A10	Crime Stoppers Project		Community Safety	10,000.00		N
A11	Building Safer Communities-WALPOP (4th QTR Policeman)		Community Safety	5,000.00		N
A12	Building Safer Communities-GLUG (Healthy Schools Initiative)		Community Safety	4,000.00		N
A13	Building Safer Communities-BUZZ (Theatre Touring Programme)		Community Safety	7,000.00		N
A14	Building Safer Communities-MLECT (Midland Life Education Trust)		Community Safety	2,000.00		N
A15	Building Safer Communities-Police Enforcement Programme		Community Safety	19,500.00		N
A16	Building Safer Communities-Target - Herderyn WHG		Community Safety	3,000.00		N
A17	Building Safer Communities-Crisis Point (Health Initiatives)		Community Safety	-3,000.00		N
A18	Building Safer Communities-Walsall Mini-reloaded - "Feb Fab Fun" Project		Community Safety	40,000.00		N
A19	Building Safer Communities-Addiction "Time to Change" Publicity Campaign		Community Safety	4,000.00		N
B01	Benefits Takeup Initiatives		Walsall MBC	230,800.00		N
B02	Better parenting through Art			27,546.82		N
B03	Domestic Violence (Stepping Stones)		Domestic Violence Forum	50,000.00		N
B04	Home Start		Home Start Walsall	71,500.00		N
B05	Mother to Mother lay breastfeeding-support		Walsall Manor Hospital	19,130.00		N
B06	School Breakfast Clubs		Walsall PCT	20,000.00		N
B07	Sure Start Plus Co-ordinator		Walsall PCT	17,000.00		N
B08	Maximisation of Income		Walsall MBC	151,284.00		N
B09	Communication Aids		Walsall PCT	20,000.00		N
B10	Walsall Health and Work(Employees)		Walsall PCT	40,000.00		N
B11	Falls Prevention		Walsall PCT	150,038.99		N
B12	SmartRisk		Walsall PCT			N
C01	Childrens Services		Education Walsall-SERCO	60,000.00		N
C02	Lifelong Learning		Walsall Lifelong Learning Alliance	22,500.00		N
C03	Literacy and Numeracy		Education Walsall-SERCO	130,000.00		N
C04	Pupil Referral Unit		Education Walsall-SERCO	250,000.00		N
C05	Raising Education Standards		Education Walsall-SERCO	100,000.00		N
C06	Recruitment and Retention		Education Walsall-SERCO	50,000.00	£25,750.00	N
C07	Early Years Curriculum Support		Education Walsall-SERCO	20,500.00	£16,890.00	N
C08	Impact - Raising Achievement in Areas of Particular Disadvantage		Education Walsall-SERCO	10,000.00		N
C09	Narrowing Gaps/Tackling Underachievement		Education Walsall-SERCO	17,000.00		N
C10	Leadership Training KS 1+2		Education Walsall-SERCO	42,000.00		N
C11	Leadership Training KS 3		Education Walsall-SERCO	42,000.00		N
C12	Transforming Learning KS 1+2		Education Walsall-SERCO	21,000.00		N
C13	Transforming Learning KS 3		Education Walsall-SERCO	3,000.00		N
C14	Open Learning KS 4+5		Education Walsall-SERCO	7,500.00		N
C15	Goscole Neighbourhood Renewal (Edgar Stammers Junior School)		Education Walsall-SERCO	65,625.00		N
C16	Awards/Rewards Support for the Learning Charter		Walsall Lifelong Learning Alliance	37,500.00		N
C17	Walsall Schools Inclusion Forum		Black Country Connexions (Walsall Centre)	130,000.00		N
C18	Open Learning KS 1 & 2		Education Walsall-SERCO			N
C19	Open Learning KS 3		Education Walsall-SERCO			N
C20	Skills Escalator		Walsall Borough Strategic partnership	100,000.00		N
D01	Global Grants		Walsall MBC	17,000.00	£93,000.00	N
D02	Job Creation Initiatives		Walsall MBC	100,000.00		N
D03	Street Theatre		Walsall MBC	50,000.00		N
D04	Town Centre Regeneration		Walsall MBC	70,000.00		N
D05	Walsall Health and Work (Employers)		Walsall PCT	80,000.00		N
D06	Settle in Walsall		Black Country Chamber & Business Link-Walsall Division	10,986.29		N

A20 Walsall CAT Safety Review

Project No	Projects title	Contact Project Manager	Organisation	Spend on LAFIS at Final Closedown 2003/2004	Clawback	Some evidence of spend provided
D07	M6 Pilot Project		Steps to Work	63,500.00		N/A
D08	Improving Employability in Walsall		Walsall MBC	153,300.00		N/A
D09	Priority Employment Areas-Evaluation Study		Walsall MBC			
	Economic Forum Manager		Black Country Chamber & Business Link-Walsall Division	7,299.40		
D10	Early Interventions		Starting Point	70,000.00		
D11	Refuse		Walsall MBC			
E01	Grounds Maintenance		Walsall MBC	200,000.00		
E02	Highways Maintenance		Walsall MBC	200,000.00		
E03	Confident Communities		Walsall Borough Strategic PartnershipBSP	230,606.43	£59,393.57	
F01	Cultural Events		Walsall MBC	42,000.00		
F02	Development of Person Centered Planning		Walsall MBC	50,000.00		
F03	Disability - DDA - Deaf		Walsall Deaf People's Centre	21,042.00		
F04	Disability - DDA - Shopmobility		Access All Areas	20,000.00		
F05	Independent Living		Walsall MBC	60,000.00		
F06	Interpreting Service		Communication & Translation Service	20,000.00		
F07	Parents against Drugs		ESCAPE,	8,147.32		
F08	Research and Baseline Studies:		Walsall MBC	53,000.00		
F09	Resource Centres		Walsall MBC	60,000.00		
F10	Wiring Communities		Walsall MBC	225,000.00		
F11	Youth Initiatives		Walsall MBC	600,000.00		
F12	Promoting participation		Walsall Voluntary Action	50,736.00		
F13	Voluntary and Community Sector NRF policy support		Walsall Voluntary Action	56,644.00		
F14	Voluntary and Community Sector Research Project		Walsall Voluntary Action	34,650.75		
F15	Neighbourhood Renewal Project Support		Walsall Voluntary Action			
F16	WESP Programme Manager/Strategic Director		Walsall Borough Strategic PartnershipBSP	127,047.02		
G01	WESP Administration		Walsall Borough Strategic PartnershipBSP	50,000.00		
G02	Young Peoples Consultation Framework		Black Country Connexions	92,199.93		
G03	Walsall's Local Compact		Walsall CVS	75,828.44		
G04	Neighbourhood Management Co-ordinator		Walsall Borough Strategic PartnershipBSP	49,804.48	£8,977.53	
G05	Walsall Summer Reloaded		Walsall MBC - Lifelong Learning & Community.	450,000.00		
G06	Neighbourhood Management		New Deal for Communities	47,751.59		
G07	Local Connexions Manager		Black Country Connexions	134,174.54		N/A
G08	Essex Street, Kent Street & Webster Road Env Improvements		Walsall MBC	21,953.30		
H01	Leamore Park Environmental Enhancements		Walsall MBC	54,726.34		
H02	Cavendish Gardens Flats: Environmental Enhancements		Walsall MBC	22,361.10		
H03	Litter Hit Squad		Walsall MBC	75,000.00		
H04	Brown Bins		Walsall MBC	134,000.00		
H05	Sustainable Communities Partnership Support Officer		Walsall MBC	6,284.78		
H06	Mallory Crescent Open Space Improvements		Walsall MBC	54,726.34		
H07						
TOTAL				6,659,360.42	437,614.11	

NRF APPROVAL TESTING AT CLOSE DOWN FOR 2003/2004

APPENDIX B

Project No	Projects title	Organisation	Spend on LAFIS at Final Closedown 2003/2004	Clawback	Approval	Quorate	Exceptions	Evidence
A01	CCTV	Community Safety	188,000.00		2001/02 statement of use	n/a	n/a	A1
A02	Community Safety	Community Safety	108,105.76		2001/02 statement of use	n/a		A1
A03	Secure By Design	Community Safety	103,000.00	£83,952.00	2001/02 statement of use	n/a	£130k allocated in 2001/02	A1
A04	Youth Offender Team	Walsall MBC, Social Services	50,000.00		2001/02 statement of use	n/a		A1
A05	Domestic Violence Unit (Management)	Domestic Violence	48,000.00		21.8.02	yes	A05 and B03 possibly the same project	B5
A06	Offender Management Scheme (Walpop)	Community Safety	112,400.00	£20,843.52	21.8.02	yes	No Ex value approved by LSP	B5
A07	Leamore CCTV	Community Safety	-	£74,929.50	21.10.02	yes	No Ex value approved by LSP	B7
A08	Stowe Street	Environmental Regeneration	22,062.00	£27,691.61	NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
A09	Mobile Warden Scheme	Community Safety	74,814.00	£26,186.38	21.10.02	yes	No Ex value approved by LSP	B7
A10	Crime Stoppers Project	Community Safety	10,000.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
A11	Building Safer Communities-WALPOP (4th QTR Policeman)	Community Safety	5,000.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
A12	Building Safer Communities-GLUG (Healthy Schools Initiative)	Community Safety	4,000.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
A13	Building Safer Communities-BUZZ (Theatre Touring Programme)	Community Safety	7,000.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
A14	Building Safer Communities-MLECT (Midland Life Education Trust)	Community Safety	2,000.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
A15	Building Safer Communities-Police Enforcement Programme	Community Safety	19,500.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
A16	Building Safer Communities-Target Hardening WHG	Community Safety	3,000.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
A17	Building Safer Communities-Crisis Point (Health Initiatives)	Community Safety	3,000.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
A18	Building Safer Communities-Walsall Mini-reloaded - "Feb Fab Fun" Project	Community Safety	40,000.00		15.12.03	yes	Lead in commission for csu - not specific to this project or amount	B20
A19	Building Safer Communities-Addiction "Time to Change" Publicity	Community Safety	4,000.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
A21	Original Warden Scheme - extension funding	Community Safety						
A22	CCTV Additional Funding 2004/05,05/06							
A20	Walsall Community Safety - New Premises							
B01	Benefits Takeup Initiatives	Walsall MBC	230,600.00		2001/02 statement of use	n/a	n/a	A1
B02	Better parenting through Art		27,546.62		2001/02 statement of use	n/a	£20k in 2001/02 statement of use	A1
B03	Domestic Violence (Stepping Stones)	Domestic Violence Forum	50,000.00		2001/02 statement of use	n/a	n/a	A1
B04	Home Start	Home Start Walsall	71,500.00		2001/02 statement of use	n/a	£40k in 2001/02 statement of use	A1
B05	Mother to Mother lay breastfeeding support	Walsall Manor Hospital	19,130.00		2001/02 statement of use	n/a	£8K in 2001/02 statement of use	A1
B06	School Breakfast Clubs	Walsall PCT	20,000.00		2001/02 statement of use and	yes		A1 and B6
B07	Sure Start Plus Co-ordinator	Walsall PCT	17,000.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
B08	Maximisation of Income	Walsall MBC	151,284.00		23.9.02	yes	No Ex value approved by LSP	B6
B09	Communication Aids	Walsall PCT	20,000.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
B10	Walsall Health and Work(Employees)	Walsall PCT	40,000.00		NONE NOTED		Agenda item 17.2.03, project not discussed. Delegated to Programme Board. Returned to 24.3.03 but not formally approved.	

NRF APPROVAL TESTING AT CLOSE DOWN FOR 2003/2004

APPENDIX B

Project No	Projects title	Organisation	Spend on LAFIS at Final Closedown 2003/2004	Clawback	Approval	Quorate	Exceptions	Evidence
B11	Falls Prevention	Walsall PCT	150,038.99		NONE NOTED		Agenda item 17.2.03, project not discussed. Delegated to Programme Board. Returned to 24.3.03 but not formally approved.	
B12	SmartRisk	Walsall PCT	-		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
B13	Walsal Independent Living Centre	Walsall PCT						
C01	Children's Services	Education Walsall-SERCO	60,000.00		2001/02 statement of use	n/a	none	A1
C02	Lifelong Learning	Walsall Lifelong	22,500.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
C03	Literacy and Numeracy	Education Walsall-SERCO	130,000.00		2001/02 statement of use	n/a	none	A1
C04	Pupil Referral Unit	Education Walsall-SERCO	250,000.00		2001/02 statement of use	n/a	£40k in 2001/02 statement of use	A1
C05	Raising Education Standards	Education Walsall-SERCO	100,000.00		2001/02 statement of use	n/a	none	A1
C06	Recruitment and Retention	Education Walsall-SERCO	50,000.00	£25,750.00	23.9.02	yes	No £x value approved by LSP	B6
C07	Early Years Curriculum Support	Education Walsall-SERCO	20,500.00	£16,890.00	NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
C08	Impact - Raising Achievement in Areas of Particular Disadvantage	Education Walsall-SERCO	10,000.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
C09	Narrowing Gaps/Tackling Underachievement	Education Walsall-SERCO	17,000.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
C10	Leadership Training KS 1+2	Education Walsall-SERCO	42,000.00		23.9.02	yes	No £x value approved by LSP	B6
C11	Leadership Training KS 3	Education Walsall-SERCO	42,000.00		23.9.02	yes	No £x value approved by LSP	B6
C12	Transforming Learning KS 1+2	Education Walsall-SERCO	21,000.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
C13	Transforming Learning KS 3	Education Walsall-SERCO	3,000.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
C14	Open Learning KS 4+5	Education Walsall-SERCO	7,500.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
C15	Goscote Neighbourhood Renewal (Edgar Stammers Junior School).	Education Walsall-SERCO	65,625.00		20.1.04	yes	No £x value approved by LSP	B10
C16	Awards/Rewards Support for the Learning Charter	Walsall Lifelong Learning Alliance.	37,500.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
C17	Walsall Schools Inclusion Forum	Black Country Connexions (Walsall Centre)	130,000.00		NONE NOTED		Agenda item 17.2.03, project not discussed. Delegated to Programme Board. Returned to 24.3.03 but not formally approved.	
C18	Open Learning KS 1 & 2	Education Walsall-SERCO	-		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
C19	Open Learning KS 3	Education Walsall-SERCO	-		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
C20	Skills Escalator	Walsall Borough Strategic partnership	100,000.00		22.9.03	yes		B17
D01	Global Grants	Walsall MBC	17,000.00	£93,000.00	NOT INCLUDED IN SAMPLE	n/a	n/a	n/a

NRF APPROVAL TESTING AT CLOSE DOWN FOR 2003/2004

APPENDIX B

Project No	Projects title	Organisation	Spend on LAFIS at Final Closedown 2003/2004	Clawback	Approval	Quorate	Exceptions	Evidence
D02	Job Creation Initiatives	Walsall MBC	100,000.00		2001/02 statement of use	n/a	none	A1
D03	Street Theatre	Walsall MBC	50,000.00		2001/02 statement of use	n/a	none	A1
D04	Town Centre Regeneration	Walsall MBC	70,000.00		2001/02 statement of use	n/a	none	A1
D05	Walsall Health and Work (Employers)	Walsall PCT	80,000.00		NONE NOTED		Went to JSB on 23.9.02 but not formally minuted as discussed or approved.	
D06	Settle In Walsall	Black Country Chamber	10,966.29		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
D07	M6 Pilot Project	Steps to Work	63,500.00		21.10.02	yes	No Ex value approved by LSP	B7
D08	Improving Employability in Walsall	Walsall MBC	153,300.00		21.10.02	yes	No Ex value approved by LSP	B7
D09	Priority Employment Areas-Evaluation Study	Walsall MBC	-		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
D10	Economic Forum Manager	Black Country Chamber & Business Link-Walsall Division	7,299.40		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
D11	Early Interventions	Starting Point	70,000.00		NONE NOTED			
E01	Refuse	Walsall MBC	200,000.00		2001/02 statement of use	n/a	listed as one project Physical Environment £600k in total	A1
E02	Grounds Maintenance	Walsall MBC	200,000.00		2001/02 statement of use	n/a	listed as one project Physical Environment £600k in total	A1
E03	Highways Maintenance	Walsall MBC	200,000.00		2001/02 statement of use	n/a	listed as one project Physical Environment £600k in total	A1
E04	Transforming Your Space	Walsall MBC	-					
F01	Confident Communities	Walsall Borough Strategic PartnershipBSP	230,606.43	£59,393.57	2001/02 statement of use	n/a	£290k in 2001/02 statement of use	A1
F02	Cultural Events	Walsall MBC	42,000.00		2001/02 statement of use	n/a	none	A1
F03	Development of Person Centered Planning	Walsall MBC	50,000.00		NONE NOTED			
F04	Disability - DDA - Deaf	Walsall Deaf People's Centre	21,042.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
F05	Disability - DDA - Shopmobility	Access All Areas	20,000.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
F06	Independent Living	Walsall MBC	60,000.00		2001/02 statement of use	n/a	none	A1
F07	Interpreting Service	Communication & Translation Service	20,000.00		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
F08	Parents against Drugs	ESCAPE,	8,147.32		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a
F09	Research and Baseline Studies:	Walsall MBC	53,000.00		2001/02 statement of use	n/a	none	A1
F10	Resource Centres	Walsall MBC	60,000.00		2001/02 statement of use	n/a	none	A1
F11	Wiring Communities	Walsall MBC	225,000.00		2001/02 statement of use	n/a	£125k in 2001/02 statement of use	A1
F12	Youth Initiatives	Walsall MBC	600,000.00		2001/02 statement of use	n/a	none	A1
F13	Promoting participation	Walsall Voluntary Action	50,736.00		23.9.02	yes	02/03 approved. No indication of subsequent years	B6
F14	Voluntary and Community Sector NRF policy support	Walsall Voluntary Action	66,644.00		NONE NOTED		Agenda item 17.2.03, project not discussed. Delegated to Programme Board. Returned to 24.3.03 but not formally approved.	
F15	Voluntary and Community Sector Research Project	Walsall Voluntary Action	34,650.75		NOT INCLUDED IN SAMPLE	n/a	n/a	n/a

WALSALL BOROUGH STRATEGIC PARTNERSHIP

CONFIDENTIAL

Late Report

Approval of Governance Arrangements of the Walsall Borough Strategic Partnership

Monday 5th July 2004

1. Purpose of this Report

- 1.1 To ratify decisions made by the Joint Strategy Board as some inaccuracies have been identified through minutes of meetings where decisions had been taken by the Board.

2. Context

- 2.1 The Walsall Borough Strategic Partnership (WBSP) was established in 2001.

The WBSP as one of the Government's Local Strategic Partnerships (LSP's) is awarded, subject to accreditation and approved Performance Management, Neighbourhood Renewal Fund (NRF), with the Local Authority as the Accountable Body.

- 2.2 The Joint Strategy Board has been responsible for the allocation of the NRF in the past. However the WBSP has recently allocated NRF through the Commissioning process, in order to achieve a more strategic impact. The move to Commissioning heralded a desire by Partners to develop a more strategic focus and to work more effectively and efficiently.
- 2.3 The Local Authority and all Partners supported this development toward more strategic working and, in response to this' a consultation was instigated in November 2003. The consultation focussed on the need to become strategic and effective
- 2.4 A number of key issues were identified as central to the ability of Partnership to operate more effectively, these included:
- Clarity of Members versus Observers in attendance
 - Some lack of clarity regarding substitutions and subsequent query regarding meetings being quorate for their duration
- 2.5 As part of the review of the WBSP, the Head of Programme Management was commissioned to identify any queries resulting from

attendance and records of decisions made at Joint Strategy Board Meetings.

- 2.6 A number of queries emerged regarding attendance and subsequently decisions made at meetings were identified from minutes. These queries fall into the following categories:
- Decisions made at meetings that were quorate and where minutes record this
 - Decisions made at meetings that were quorate in part, but due to Members arriving or leaving were in part inquorate
 - Decisions made where meetings were quorate for part or for the whole of the meeting, but where minutes were not agreed as accurate due to subsequent meetings being/becoming inquorate
 - Decisions made where meetings were not quorate or not recorded as quorate and therefore question whether decisions made were the intended decisions of the Joint Strategy Board
- 2.7 The consequence of queries regarding attendance at meetings, accuracy and approval of minutes and decisions of the Board are:
- Decisions made by the JSB at meetings which were quorate stand
 - Decisions made by the JSB which were not quorate/not recorded as quorate or due to subsequent inquorate meetings, where minutes were not approved, can be approved retrospectively
 - Decisions made by the JSB that were not quorate for whole or part of the meeting/not recorded as quorate where funding was time expired and therefore cannot be backdated
- 2.8 There are a number of issues that are being addressed which had previously led to these anomalies. These include greater clarity of membership through the Partnership reshaping, the need for clarity in respect of substitutions and when the Board of other partnership structures are inquorate, and improved minute taking.
- 2.9 It must be recognised however that due to the extent of reports, presentations and paperwork regarding decisions of the Joint Strategy Board between April 2003 and March 2004 there is sufficient evidence to ensure that the intention of that Board was to:
- Approve Commissioning as the method to allocate the NRF
 - Establish the Commissioning Executive
 - Approve funding decisions discussed or/and agreed at the meetings

3. Current Position

- 3.1 This review forms part of the Council's, as the Accountable Body, desire to ensure proper processes are in place.

- 3.2 The review confirms that improvements of the governance arrangements and processes of the WBSP need to take place.
- 3.3 To support this review and the recommendations made in this report, the advice from the Council's Legal Department is that it is the responsibility of the Board to ensure business is conducted effectively.
- 3.4 The Accountable Body is confident that the reshaping of the WBSP and of the Board, with clearer roles and structures will address issues identified.
- 3.5 In addition, minute taking arrangements with clearly identified recording of attendance at meetings is to be put in place for all future Board meetings.

4. Recommendation

- 4.1 It is recommended to the Board that all decisions made were in line with the intention of the Joint Strategy Board.
- 4.2 To approve all funding agreements for 2003/04, attached at appendix A.
- 4.3 To approve all current arrangements of the:
- Establishment of the WBSP Board
 - Establishment of the Commissioning Executive
 - All funding decisions by the Joint Strategy Board, the Performance and Review Group and Commissioning Executive up to May 6th WBSP Board Meeting.
- 4.4 To approve that new arrangements are made for recording all business conducted at Board Meetings.

Contact Officers:

Sonia Davidson-Grant
Executive Director
Walsall MBC

Roberta Smith
Director
WBSP

Email: boony@walsall.gov.uk

jonesae@walsall.gov.uk

Tel: 01922 652004

01922 654708

NRF EXPENDITURE TESTING AT CLOSE DOWN FOR 2003/04

APPENDIX D

Project No	Projects title	Organisation	Spend on LAFIS at Final Closedown 2003/2004	Clawback	Evidence	AMOUNT	AGREED TO LAFIS	EXCEPTIONS	EVIDENCE REF
A01	CCTV	Community Safety	188,000.00		JTTRK100	£188,000.00	Y	N	C1
A02	Community Safety	Community Safety	108,105.76		JTTRK100	£95,000.00	Y	£95k allocated £108k spent	C1
A03	Secure By Design	Community Safety	103,000.00	£83,952.00	JTTRK087	£103,000.00	Y	N	C2
A04	Youth Offender Team	Walsall MBC, Social Services	50,000.00		JTTRK100	£50,000.00	Y	N	C1
A05	Domestic Violence Unit (Management)	Domestic Violence Forum	48,000.00		INVOICE CU03/B2	£48,000.00	Y	N	C3
A06	Offender Management Scheme (Walpop)	Community Safety	112,400.00	£20,843.52	JTTRK100	£112,400.00	Y	N	C1
A07	Leamore CCTV	Community Safety	-	£74,929.50	JTTRK090	£74,929.50	Y	N	C4
A08	Stowe Street	Environmental Regeneration	22,062.00	£27,691.61	NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
A09	Mobile Warden Scheme	Community Safety	74,814.00	£26,186.38	JTTRK100	£101,000.00	Y	N	C1
A10	Crime Stoppers Project	Community Safety	10,000.00		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
A11	Building Safer Communities-WALPOP (4th QTR Policeman)	Community Safety	5,000.00		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
A12	Building Safer Communities-GLUG (Healthy Schools Initiative)	Community Safety	4,000.00		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
A13	Building Safer Communities-BUZZ (Theatre Touring Programme)	Community Safety	7,000.00		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
A14	Building Safer Communities-MLECT (Midland Life Education Trust)	Community Safety	2,000.00		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
A15	Building Safer Communities-Police Enforcement Programme	Community Safety	19,500.00		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
A16	Building Safer Communities-Target Hardening WHG	Community Safety	3,000.00		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
A17	Building Safer Communities-Crisis Point (Health Initiatives)	Community Safety	3,000.00		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
A18	Building Safer Communities-Walsall Mini-reloaded - "Feb Fab Fun" Project	Community Safety	40,000.00		JTTR064	£40,000.00	Y	N	C5
A19	Building Safer Communities-Addiction "Time to Change" Publicity Campaign	Community Safety	4,000.00		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
B01	Benefits Takeup Initiatives	Walsall MBC	230,600.00	£230,600.00	JTTRK101	£230,600.00	Y	N	C6
B02	Better parenting through Art		27,546.62		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
B03	Domestic Violence (Stepping Stones)	Domestic Violence Forum	50,000.00		INVOICE NRF10102	£50,000.00	Y	Invoice date 28.7.02 but rec'd 1 Aug 03 related to 03/04 budget so prob typo	C7
B04	Home Start	Home Start Walsall	71,500.00		INVOICES	£71,500.00	Y	2 invoices for budget 03/04, 1 invoice no description for £31,500	C8
B05	Mother to Mother lay breastfeeding support	Walsall Manor Hospital	19,130.00		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
B06	School Breakfast Clubs	Walsall PCT	20,000.00		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
B07	Sure Start Plus Co-ordinator	Walsall PCT	17,000.00		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
B08	Maximisation of Income	Walsall MBC	151,284.00		JTTRK106 /354	£151,284.00	Y		C9 /C28
B09	Communication Aids	Walsall PCT	20,000.00		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA

NRF EXPENDITURE TESTING AT CLOSE DOWN FOR 2003/04

APPENDIX D

B10	Walsall Health and Work(Employees)	Walsall PCT	40,000.00		INV808	£40,000.00	Y	invoice description 'employment retention - project for one quarter' not clear. Remaining quarters not identified.	C10
B11	Falls Prevention	Walsall PCT	150,038.99		INV 1288	£75,000.00	Duplicate payment	Invoice 2/3/04 does not give detail of financial year to which it relates.	C11
B12	SmartRisk	Walsall PCT	-		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
C01	Childrens Services	Education Walsall-SERCO	60,000.00		JTTRK102	£60,000.00	Y	N	C12
C02	Lifelong Learning	Walsall Lifelong Learning Alliance.	22,500.00		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
C03	Literacy and Numeracy	Education Walsall-SERCO	130,000.00		JTTRK102	£130,000.00	Y	N	C12
C04	Pupil Referral Unit	Education Walsall-SERCO	250,000.00		JTTRK102	£250,000.00	Y	N	C12
C05	Raising Education Standards	Education Walsall-SERCO	100,000.00		JTTRK102	£100,000.00	Y	N	C12
C06	Recruitment and Retention	Education Walsall-SERCO	50,000.00	£25,750.00	INV 5262 / 5925	£50,000.00	Y	N	C13
C07	Early Years Curriculum Support	Education Walsall-SERCO	20,500.00	£16,890.00	NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
C08	Impact - Raising Achievement in Areas of Particular Disadvantage	Education Walsall-SERCO	10,000.00		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
C09	Narrowing Gaps/Tackling Underachievement	Education Walsall-SERCO	17,000.00		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
C10	Leadership Training KS 1+2	Education Walsall-SERCO	42,000.00		INV 5922 /5259	£42,000.00	Y	SERCO invoice / or journal transfer - no consistency	C14
C11	Leadership Training KS 3	Education Walsall-SERCO	42,000.00		INV 5260 / 5924	£42,000.00	Y	SERCO invoice / or journal transfer - no consistency	C15
C12	Transforming Learning KS 1+2	Education Walsall-SERCO	21,000.00		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
C13	Transforming Learning KS 3	Education Walsall-SERCO	3,000.00		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
C14	Open Learning KS 4+5	Education Walsall-SERCO	7,500.00		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
C15	Goscote Neighbourhood Renewal (Edgar Stammers Junior School).	Education Walsall-SERCO	65,625.00		INV 5256/7/919	£65,625.00	Y	SERCO invoice / or journal transfer - no consistency	C16
C16	Awards/Rewards Support for the Learning Charter	Walsall Lifelong Learning Alliance.	37,500.00		INV 764/830/1181	£37,500.00	Y	N	C17
C17	Walsall Schools Inclusion Forum	Black Country Connexions (Walsall Centre)	130,000.00		NO INVOICE	£130,000.00	Y	Invoices written on WMBC proforma	C18
C18	Open Learning KS 1 & 2	Education Walsall-SERCO	-		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
C19	Open Learning KS 3	Education Walsall-SERCO	-		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
C20	Skills Escalator	Walsall Borough Strategic partnership	100,000.00		JTTRK913	£100,000.00	Y	N	C19
D01	Global Grants	Walsall MBC	17,000.00	£93,000.00	JTTRK093/ 354	£110,000.00	Y	N	C20, C28
D02	Job Creation Initiatives	Walsall MBC	100,000.00		JTTRK093	£100,000.00	Y	N	C20
D03	Street Theatre	Walsall MBC	50,000.00		NO JOURNAL	£50,000.00	Y	No journal input form	C21
D04	Town Centre Regeneration	Walsall MBC	70,000.00		JTTRK093	£70,000.00	Y	N	C20
D05	Walsall Health and Work (Employers)	Walsall PCT	80,000.00		INV 749/50/125/1250	£80,000.00	Y	2 invoices do not make distinction whether relate to ee's or er's project	C22
D06	Settle In Walsall	Black Country Chamber & Business Link-Walsall Division	10,966.29		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA

NRF EXPENDITURE TESTING AT CLOSE DOWN FOR 2003/04

APPENDIX D

D07	M6 Pilot Project	Steps to Work	63,500.00		INV 25653/25812/2590 4	£63,500.00	Y	N		C23
D08	Improving Employability in Walsall	Walsall MBC	153,300.00		JTTRK093	£153,300.00	Y	N		C20
D09	Priority Employment Areas-Evaluation Study	Walsall MBC	-		NOT INCLUDED IN SAMPLE	NA	NA	NA		NA
D10	Economic Forum Manager	Black Country Chamber & Business Link-Walsall Division	7,299.40		NOT INCLUDED IN SAMPLE	NA	NA	NA		NA
D11	Early Interventions	Starting Point	70,000.00		INV 25654/25817/2589 1	£70,000.00	Y	N		C24
E01	Refuse	Walsall MBC	200,000.00		JTTRK098	£200,000.00	Y	N		C25
E02	Grounds Maintenance	Walsall MBC	200,000.00		JTTRK098	£200,000.00	Y	N		C25
E03	Highways Maintenance	Walsall MBC	200,000.00		JTTRK098	£200,000.00	Y	N		C25
F01	Confident Communities	Walsall Borough Strategic PartnershipBSP	230,606.43	£59,393.57	JTTRK104	£290,000.00	Y	N		C26
F02	Cultural Events	Walsall MBC	42,000.00		NOT INCLUDED IN SAMPLE	£42,000.00	NA	NA		C26
F03	Development of Person Centered Planning	Walsall MBC	50,000.00		JTTRK099	£50,000.00	Y	N		C27
F04	Disability - DDA - Deaf	Walsall Deaf People's Centre	21,042.00		NOT INCLUDED IN SAMPLE	NA	NA	NA		NA
F05	Disability - DDA - Shopmobility	Access All Areas	20,000.00		NOT INCLUDED IN SAMPLE	NA	NA	NA		NA
F06	Independent Living	Walsall MBC	60,000.00		JTTRK104	£60,000.00	Y	N		C26
F07	Interpreting Service	Communication & Translation Service	20,000.00		NOT INCLUDED IN SAMPLE	NA	NA	NA		NA
F08	Parents against Drugs	ESCAPE,	8,147.32		NOT INCLUDED IN SAMPLE	NA	NA	NA		NA
F09	Research and Baseline Studies:	Walsall MBC	53,000.00		JTTRK097	£53,000.00	Y	N		C27
F10	Resource Centres	Walsall MBC	60,000.00		JTTRK104	£60,000.00	Y	N		C26
F11	Wiring Communities	Walsall MBC	225,000.00		JTTRK104 / 3554	£225,000.00	Y	N		C26, C28
F12	Youth Initiatives	Walsall MBC	600,000.00		JTTRK091	£600,000.00	Y	N		C29
F13	Promoting participation	Walsall Voluntary Action	50,736.00		INV 268/280/287/319	£50,736.00	Y	N		C30
F14	Voluntary and Community Sector NRF policy support	Walsall Voluntary Action	66,644.00		INV 269 /279/288/320	£66,644.00	Y	N		C31
F15	Voluntary and Community Sector Research Project	Walsall Voluntary Action	34,650.75		INV 267/281/318	£34,650.97	Y	N		C32
F16	Neighbourhood Renewal Project Support	Walsall Voluntary Action	-		NOT INCLUDED IN SAMPLE	NA	NA	NA		NA
G01	WBSP Programme Manager/Strategic Director	Walsall Borough Strategic PartnershipBSP	127,047.02		JTTRK354/096	£127,042.02	Y	N		C28 / C33
G02	WBSP Administration	Walsall Borough Strategic PartnershipBSP	50,000.00		JTTRK354/096	£140,000.00	Y	N		C28 / C33
G03	Young Peoples Consultation Framework	Black Country Connexions	92,199.93		INV 162/163/164	£92,199.93	Y	N		C34
G04	Walsall's Local Compact	Walsall CVS	75,828.44		INV 264/282/285/317	£75,828.44	Y	Y		C35
G05	Neighbourhood Management Co-ordinator	Walsall Borough Strategic PartnershipBSP	49,804.48	£8,977.53	NO REFERENCE		N		No journal input form	-
G06	Walsall Summer Reloaded	Walsall MBC - Lifelong Learning & Community	450,000.00		JTLSC232	£450,000.00	Y	N		C36
G07	Neighbourhood Management	New Deal for Communities	47,751.59		JTETB869	£47,751.59	Y	N		C37
G08	Local Connexions Manager	Black Country Connexions	134,174.54		Duplicate Payment				Duplicate payment Duplicate payment	-

NRF EXPENDITURE TESTING AT CLOSE DOWN FOR 2003/04

APPENDIX D

H01	Essex Street, Kent Street & Webster Road Env Improvements	Walsall MBC	21,953.30		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
H02	Leamore Park: Environmental Enhancements	Walsall MBC	54,728.34		NO REFERENCE		N	No journal input form	-
H03	Cavendish Gardens Flats: Environmental Enhancements	Walsall MBC	22,361.10		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
H04	Litter Hit Squad	Walsall MBC	75,000.00		INV 9851/1583/X	£75,000.00	Y	N	C38
H05	Brown Bins	Walsall MBC	134,000.00		INV 211582	£134,000.00	Y	N	C39
H06	Sustainable Communities Partnership Support Officer	Walsall MBC	6,284.78		NOT INCLUDED IN SAMPLE	NA	NA	NA	NA
H07	Mallory Crescent Open Space Improvements	Walsall MBC	54,728.34		NO REFERENCE		N	No journal input form	-
TOTAL			6,869,360.42	668,214.11					

Walsall Metropolitan Borough Council
Internal Audit Service

Neighbourhood Renewal Fund

Audit Report 2005/2006

CONTENTS

EXECUTIVE SUMMARY

- A. Introduction
- B. Work Undertaken
- C. Background
- D. Overall conclusions
- E. Summary of Findings
- F. Recommendations

AUDIT ACTION PLAN

APPENDICES

Appendix A – final audit report – NRF administrative costs 2004/05

Appendix B – final audit report – NRF approvals and spends 2003/04

Appendix C – responsibilities for the management and administration of NRF

Appendix D – final audit report – NRF special investigation 2002/03

**Neighbourhood Renewal Fund
Audit Report 2005/06**

EXECUTIVE SUMMARY

A. Introduction

1. A series of reports and communications were forwarded in confidence by a council officer (who has since left the council) to internal audit between March and July 2004, detailing a number of concerns / allegations regarding the council's use, management and administration of neighbourhood renewal fund (NRF).
2. Internal audit shared the main concerns arising with the chief executive, executive director for finance, law & performance (*Section 151* officer) and executive director, regeneration, housing and the built environment (RHBE) on 9 and 14 July 2004, respectively.
3. ██████, audit commission manager was also made aware of the issues with regard to NRF, by the source. It was agreed with the audit commission that the investigation would be undertaken jointly between internal audit and the audit commission, with internal audit taking the lead role.
4. Each concern / allegation requiring investigation was risk assessed by the audit commission manager and internal audit to enable issues to be prioritised.
5. Many of the allegations have already been investigated and final audit reports regarding NRF administrative costs 2004/05 (**Appendix A**) and NRF approvals and spends 2003/04 (**Appendix B**) were issued in November 2004 and June 2005 respectively. This report represents the final piece of work in this area and concludes internal audit's work on the allegations made. This report focuses on:
 - Project Appraisal/Targeting Funds
 - Project Approval
 - Contracting
 - Project Monitoring/Financial Management
 - Governance (including quoracy)
 - Commissioning (including test commission)
 - CAB Mental Health Project
 - Independent Living Centre Project
 - Job Creation Initiatives Project
 - Skills Escalator Project
 - Monopole Advertising Project
 - SERCO Projects
 - Walsall CVS Project; and
 - M6 Pilot Project.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

B. Work Undertaken

1. Allegations mainly referred to the 2003/04 and 2004/05 financial years. Each allegation made has been examined. In order to attempt to substantiate the allegations, a review of relevant documentation / files and a sample of 17 projects funded in 2003/04 and 3 commissions and 6 projects funded in 2004/05 has been undertaken.
2. Discussions have been held with Walsall borough strategic partnership (WBSP) officers.
3. A review of the minutes of the WBSP and the WBSP's commissioning executive (CE) has been undertaken.

C. Background

1. Since 2001, NRF has aimed to enable the 88 most deprived local authorities, in collaboration with their LSP, to improve services thereby narrowing the gap between deprived areas and the rest of England. It is one of the features of NRF that the grant can be used to support mainstream funding. Another is that when first introduced, the guidance from ODPM was limited and non specific.
2. NRF can be used in any way that tackles deprivation in the most deprived neighbourhoods, particularly, but not exclusively, in relation to floor targets and to local targets set out in the local neighbourhood renewal strategy agreed by each of the LSPs. NRF spending plans are to be determined by each local authority, working with, and as part of, an LSP.
3. Where service quality is at risk or requires improvement, it is strongly desirable that funding should go to mainstream services, such as schools – provided the funding benefits the most deprived areas. The money can be used to support not only local authority services but those of other organisations, including other organisations within the LSP.
4. Walsall council has received the following NRF allocations:-
 - 2001/02 - £3.56 million
 - 2002/03 - £5.34 million
 - 2003/04 - £7.12 million
 - 2004/05 - £7.12 million
5. Walsall council has been allocated £7.12 million per annum for 2005/06. It is understood that Walsall are to be allocated a further £6.5m in 2006/07 and £5.5m in 2007/08.
6. Responsibilities for the management and administration of NRF since its inception at Walsall MBC are detailed at **Appendix C**.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

D. Overall Conclusions

1. Many of the concerns raised regarding NRF in 2003/04 and the early part of 2004/05 appear to be founded. The control environment regarding the management and administration of NRF within the council, as accountable body to these funds; and by the WBSP, as the decision making body regarding the use of these funds; has, in the past, been either insufficient or ineffective. This appears to have led to an element of distrust and criticism which in turn has led to a heightened level of scrutiny, focused on the council as accountable body, both from internally amongst certain of the council officers; and externally within the wider partnership.
2. The officer raising these concerns with internal audit had been promoted to a role which involved managing many of the NRF processes which he had identified as having control weaknesses. This officer has subsequently left the council; and this has been the case for the majority of officers who have been responsible for NRF in the past. Internal audit have been pleased to note, however, that many of the issues raised have been addressed / or are in the process of being addressed by the managers currently undertaking these roles.
3. The council's approach to the management and administration of NRF has improved. The decision to adopt a commissioning approach for use of NRF has, for example, attracted praise from Government Office.
4. There are, however, a number of controls which require significant attention, in particular the general administration of NRF, project management and monitoring and an overall review of governance arrangements. NRF, while not specifically ring fenced or subject to as detailed grant requirements as other grant funded regimes, remains public money for which the council is accountable and should therefore be managed to the same high standards as that expected of Walsall council's mainstream funding. Due to the level of criticism which has been levelled at the council in the past, the council, as the accountable body to these funds, must ensure that its control environment is sufficiently robust and effective, to protect itself and its officers from further criticism and speculation.
5. The WBSP and commissioning executive must also remain mindful of their role / accountability in ensuring that their decisions / practices are sufficiently robust to defend any adverse criticism which may be levelled at them. The implementation of the recommendations made within this and other internal audit reports on this theme should assist in this respect.
6. It is suggested that the report and others in the series, also act as an exemplar to the council in highlighting the risks associated with partnership activity and associated funding.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

E. Summary of Findings

1. Project Appraisal/Targeting Funds

1.1 In order to attempt to verify the allegations made with regard to project appraisal / targeting funds, a sample of 17 projects funded in 2003/04; and 6 projects and 3 commissions funded in 2004/05 were examined. Guidance relating to management and administration of NRF has also been examined.

1.2 The following was alleged:

Difficult to establish from projects approved by the WBSP how NRF funding is benefiting the priority neighbourhoods in terms of directed activity and measurable impact and bending of mainstream resources.

1.2.1 Guidance states that NRF can be used in any way that tackles deprivation in the most deprived neighbourhoods, particularly, but not exclusively, in relation to floor targets and to local targets set out in the local neighbourhood renewal strategy agreed by the local strategic partnership (LSP).

1.2.2 It was difficult to clearly establish from 2003/04 project submission forms and other project documentation examined, how NRF funding was benefiting priority neighbourhoods / floor or local targets set out in the local neighbourhood renewal strategy. This is not to say that these projects were not indirectly or directly targeted as required; just that documentation to clearly support this was not available on the project files examined. In addition, it was identified that of 17 projects examined, completed project submission forms were not detailed on 9 of the project files (B13, C01, C20, D02, E04, F14, G04, G06 and H05). Of the 8 project submission forms detailed on file, 6 (A01, C04, C05, C17, F10 and G01) had not been signed and dated by the applicant.

1.2.3 In 2004/05, it was noted that a commission pro-forma is completed by the lead officer for each commission. The pro-forma allows the commissioning executive to consider each commission against a standard set of questions, including 'impact upon floor targets' and 'WBSP priority / priorities'. Of 3 commission files examined, a commissioning pro-forma had not been completed in one case (C22).

1.2.4 In 2004/05, non commissioned projects receiving NRF funding, are also required to complete a 'pro-forma' form. Review of 6 project files, identified that a pro-forma form had not been completed in any of the cases (G10, UG1, UG6, D08, G03 and F17). In 2 of these cases (D08 and G03), the project had been funded in previous years.

Conclusions & Recommendations

1.	<p>It is difficult to identify from project / commission documentation explicitly how such projects / commissions tackle deprivation in the most deprived neighbourhoods, or meet floor targets or local targets set out in the local neighbourhood renewal strategy. This is not to say that such projects / commissions have not been strategically targeted in this way, but that documentation to support this was not always available on project files.</p>
2.	<p>While arrangements in respect of evidence of targeting appear to have been strengthened in 2004/05, control weaknesses have been identified from a review of project / commission files.</p> <p>Recommendations</p> <ul style="list-style-type: none">• <i>Management should consider undertaking a complete file review of 2003/04 NRF projects to ensure that files clearly detail evidence of how NRF funded projects benefit priority neighbourhoods / floor or local targets set out in the local neighbourhood renewal strategy. Where discrepancies are identified, project managers should be asked to source the relevant supporting documentation and place clearly on file. Project Officers should be reminded to ensure that such supporting documentation is present on all currently funded projects and commissions.</i>• <i>Project submission forms should be identified for the projects cited in 1.2.2 and placed on the relevant project file.</i>• <i>The 6 project submission forms cited in 1.2.2 should be forwarded to the applicant for signing before being placed on the relevant project file.</i>• <i>Management should consider undertaking a complete file review of all commissions funded in 2004/05 to ensure that a completed commissioning pro-forma is detailed on each commission file. A review should include the project cited in 1.2.3. Project officers should further be reminded to ensure that a completed commissioning pro-forma is detailed on each currently funded project file.</i>• <i>A complete file review of 'non commissioned' project files in 2004/05 should be considered to ensure that completed pro-formas are detailed on all non 'commissioned project' files. This review should include those projects cited in 1.2.4. Project officers should further be reminded to ensure that a completed pro-forma is detailed on all currently funded 'non commissioned' files.</i>

**Neighbourhood Renewal Fund
Audit Report 2005/06**

1.3 The following was alleged:

Project submission form does not follow DETR/ODPM guidance therefore project appraisal may not be as robust as it should be.

1.3.1 A review of guidance supplied in respect of NRF identified no advice in respect of project submission arrangements. Generally, guidance relating to NRF appears to be more limited / discretionary than guidance provided for other grant funded regimes such as single regeneration budget (SRB). In the absence of definitive guidance, it follows that a council administering NRF should utilise its own internal control framework for project submission arrangements.

Conclusions & Recommendations

1.	There is no guidance / requirement regarding project submission arrangements. In the absence of such guidance, it follows that councils should therefore make their own arrangements for safe and effective project submission and appraisal. Recommendations <ul style="list-style-type: none">• None.
----	--

1.4 The following was alleged:

There is no independent appraisal of projects submitted.

1.4.1 There is no requirement for an independent appraisal of projects funded via NRF. Guidance provides that 'the local authority shall agree the use of grant with the local strategic partnership (LSP)'.

1.4.2 The WBSP approved projects in line with this guidance from 2001/2 to 2003/04, until the commissioning executive was also granted delegated responsibility in their inaugural meeting of 9 January 2004.

1.4.3 The use of independent project appraisers is a practice utilised for SRB.

Conclusions & Recommendations

1.	There is no independent appraisal of NRF project submissions and there is no statutory requirement for this. In line with guidance, the WBSP and later the commissioning executive and their associated theme groups, undertake this role. Recommendations <ul style="list-style-type: none">• None.
----	---

**Neighbourhood Renewal Fund
Audit Report 2005/06**

1.5 The following was alleged:

It is not clear from documentation what information is presented to various groups.

1.5.1 From an examination of minutes for a sample of projects funded via NRF in 2003/04, it was not always possible to identify what information had been submitted to theme groups or the WBSP. In 2004/05, however, a review of minutes of the commissioning executive and WBSP identified improvements in this respect. In the case of the WBSP, this was largely due to support from committee specialists from constitutional services.

Conclusions & Recommendations

1.	<p>In 2003/04, it was not clear from review of minutes, what documentation had been presented to theme groups or the WBSP. This position appears, however, to have improved in 2004/05.</p> <p>Recommendations</p> <ul style="list-style-type: none">• <i>The WBSP has benefited from the minute taking expertise of officers from constitutional services. The commissioning executive should consider utilising the services of constitutional services for the production of their minutes.</i>• <i>Although improvements have been noted, it would be prudent for minute takers to be reminded to ensure that any documentation presented to either the WBSP or the commissioning executive is clearly referenced within the appropriate minutes.</i>
----	---

1.6 The following was alleged:

In 2003, a small team comprising the NRF Co-ordinator, Neighbourhood Renewal Strategic Adviser, Group Accountant for Regeneration and an NRF evaluator (seconded from GOWM) was formed to evaluate all NRF projects. The process involved self assessment by the project officer completing a pro-forma followed by an interview involving one or more of the evaluation team. It is not clear from the documentation that the process was completed for every project and there appears to be no overall assessment of the use of NRF funding. In addition there is little or no evidence in terms of beneficiary details etc of the impact on the priority neighbourhoods, contribution to the neighbourhood renewal strategy or measurable targets.

1.6.1 On 28 April 2003, the WBSP approved the evaluation of 23 NRF projects by the team cited above as a 'pilot tranche'. A report detailing the result of this work was submitted by [REDACTED] (seconded from GOWM) and [REDACTED], NRF co-ordinator, to the Joint Strategy Board (JSB) on 21 July 2003. In November 2003, the JSB were informed that all 93 projects had been evaluated and that a full report would be submitted to their next meeting. A review of relevant minutes, however, does not identify this report being submitted to the next or subsequent meetings.

Conclusions & Recommendations

1.	<p>While a pilot tranche of 23 projects, appraised by a team including [REDACTED] and [REDACTED], was presented in a formal report to the WBSP in July 2003, the findings of their work regarding a complete appraisal of 93 projects does not appear to have been subsequently presented to the WBSP and there is little minuted evidence of action being taken as a result of these findings.</p> <p>Recommendations</p> <ul style="list-style-type: none">• Officers should be reminded to ensure that where work / consultancy is commissioned by either the WBSP or the commissioning executive, that the findings of this work should be presented and discussed in full.• Officers may consider undertaking an evaluation exercise at the end of each commission of consultancy work to ascertain the value of the work together with any learning points for future.
----	--

1.7 The following was alleged:

Despite possible weaknesses in the evaluation exercise a number of projects were awarded additional funds at JSB meeting of 18/08/03.

Towards the end of 2003/04 programme management staff began receiving requests from organisations who appeared to have received a letter from [REDACTED] in Oct 2003 awarding additional NRF funds in 2004/05. JSB notes failed to identify the authorisation. [REDACTED] letters were initiated by a decision made at the JSB on 21/7/03 following an evaluation report by [REDACTED]. No mention in report of project names just that a number of projects will be awarded totalling £480,000. 11 projects totalling £440,730 were granted.

1.7.1 A report was submitted to the meeting of 18 August 2003 by [REDACTED] and [REDACTED] entitled 'update on the evaluation of NRF initiatives/projects' which recommended additional funding to 9 specific projects. The board approved the contents of the report.

1.7.2 A report was submitted to the JSB on 21 July 2003 which stated that 'late starting projects from 2002/03 financial year should not be penalised for receiving their finances later in the fiscal year. They should be offered their funding for the two full years to make their desired impact through their project, i.e. past March 2004. This should apply to all relevant NRF projects, including those that have not undergone the evaluation process yet. The assessment of 'full year' funding entitlement for all relevant projects is that this will require a commitment in the region of £480,000'. There was no mention of the specific projects. It was identified that [REDACTED] had sent letters to the specified projects notifying them of their additional NRF funding.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

Conclusions & Recommendations

1.	<p>Organisations appear to have been sent communication detailing additional funding as a result of a project appraisal exercise, approved by the JSB in July 2003. Minutes of the JSB did not however specify the project or the allocation of NRF funding approved.</p> <p>Recommendation</p> <ul style="list-style-type: none">• <i>Officers should be reminded to ensure that the appropriate approval has been obtained before NRF commission / grant recipients are informed of their award of NRF.</i>
----	---

1.8 The following was alleged:

In developing projects for NRF funding little or no account has been taken of existing regeneration programmes resulting in duplicating existing activities, failing to obtain best value and failing to consult.

1.8.1 From the projects examined, no evidence of duplicate funding was identified. The head of programme management and later head of neighbourhood management, were appointed to bring NRF under the umbrella of other regeneration grant funded initiatives such as SRB and European funding and to prevent duplication. The pro-forma includes a section detailing whether the project is a joint commission, however, it does not specifically ask whether any other sources of funding are being received or whether the project / commission is the subject of any existing regeneration activity.

Conclusions & Recommendations

1.	<p>No duplication has been identified from the projects examined.</p>
2.	<p>The purpose of the restructure of programme management and later neighbourhood management was to bring regeneration funding regimes under one umbrella. While this minimises the risk of duplication funding, the recommendation made below can tighten these controls further.</p> <p>Recommendation</p> <ul style="list-style-type: none">• <i>Consideration should be given to providing a standard entry on the commissioning pro-forma and pro-forma for non commissioned NRF funded projects, to ensure that projects submitted for approval are not already subject to existing funding (to prevent duplicate funding); or existing regeneration activity. The council should extend this recommendation to all council funding regimes to ensure that there is a specific requirement to check for duplicate funding.</i>

Neighbourhood Renewal Fund Audit Report 2005/06

1.9 The following was alleged:

NRF became the only source of funding for a project without any recognition of mainstream resources.

1.9.1 DTLR guidance states that NRF is a 'non ring fenced grant' which can be used to support services not only provided by the local authority but also by organisations that are members of the LSP. Further, 'A New Commitment to Neighbourhood Renewal – National Strategy Action Plan' states that to achieve necessary improvements, service providers can reallocate resources (NRF) into their mainstream programmes'. Guidance states that it is both 'acceptable and strongly desirable' to use NRF funds in this way. NRF, however, while not specifically ring fenced or subject to as detailed grant requirement as other grant funded regimes, remains public money for which the council is accountable and should therefore be managed to the same in accordance with the standards applied to the council's mainstream funding.

1.9.2 This issue was the subject of the neighbourhood renewal fund special Investigation 2002/03 (**Appendix D**).

Conclusions & Recommendations

1.	NRF has been used to support internally managed council projects. Guidance states that this is acceptable.
2.	See also conclusions of the neighbourhood renewal fund special investigation 2002/03 (Appendix D). Recommendations <ul style="list-style-type: none">• None.

2. Project Approval

2.1 The following was alleged:

GOWM stressed that the LSP should not be concerned with detailed projects. LSP agreed to suspend existing process and develop new to be presented to meeting on 21.08.02. No report presented, GOWM stressed issue again at meeting. Flowchart submitted to LSP away day on 14.09.02 but at meeting of 23.09.02 LSP returned to approving projects.

2.1.1 At a meeting of the JSB on 16 July 2002, [REDACTED] (GOWM) stated that the board should not be concerned with the detail of projects. This comment was made because the board appeared to be spending a lot of time examining every detail of the project submissions. As a result, it appears that the format of the report submitted to the JSB for project approval was revised / simplified. It was also the case at this time that projects had already been discussed by the appropriate theme group and then approved by the programme management board before being submitted to the JSB.

Neighbourhood Renewal Fund Audit Report 2005/06

- 2.1.2 The commissioning executive, operative from 9 January 2004, have delegated responsibility from the WBSP for project / commission, appraisal / approval.

Conclusions & Recommendations

1.	There was a concern, identified by GOWM, that the LSP spent too much time considering and approving projects for NRF.
2.	This concern has since been addressed, both in the revision of the report formally presented for NRF project approval and more recently in the commissioning executive being given delegated responsibility for NRF project approval from the WBSP.
Recommendations <ul style="list-style-type: none">• None.	

- 2.2 The following was alleged:

A breakdown of process for approval of funds which was recorded in governing documents as involving theme groups, programme management board and JSB.

- 2.2.1 Project approval issues for 2003/04 spend were identified and associated recommendations made in the NRF Approvals & Spend Report 2003/04 detailed at **Appendix B**.
- 2.2.2 In examining 6 files for projects and 3 files for commissions funded in 2004/05 the following were noted:
- The SAM learning project (UG1) had been approved by the commissioning executive on 24 January 2005. There was no copy of the minutes of this approval on the project file.
 - The Manor Hospital Community Training project (UG6) had been approved by the commissioning executive on 24 January 2005. There was no copy of the minutes of this approval on the project file.
 - A grant agreement had been produced for the improving employability in Walsall project for £169,662. The approved amount was £101,000. From information on the file it was not possible to verify the total approved amount.
 - The commissioning executive approved the funding for one commission (C22) on 7 May 2004. The minutes of the meeting do not detail the amount of approved funding.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

- 2.2.3 During the course of this audit, the issue of processes for approval of NRF expenditure has been discussed in depth by internal audit, the audit commission, legal services and RHBE Finance. The wider issue of approval of NRF projects / commissions has been identified as an area for review and should be considered as part of a recommended review of the overall governance arrangements of the partnership and their associated groups, including the commissioning executive. Under current arrangements, the WBSP or the commissioning executive have no delegated powers to approve NRF spend. Only officers of the council, as representatives of the accountable body, have such delegations.
- 2.2.4 Guidance must also be considered on this point which states 'NRF spending plans are to be determined by each local authority, working with, and as part of, an LSP'. The recommended review of governance arrangements should therefore seek to ensure that payments from NRF, as well as being considered by the WBSP and their delegated groups, are also authorised in accordance with an appropriate scheme of council delegation.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

Conclusions & Recommendations

1.	Project approval was identified as a control weakness in the NRF Approvals & Spend Report 2003/04.
2.	Of the project / commission files selected for examination relating to 2004/05, control regarding project approval could be tightened by the implementation of the recommendations below.
3.	<p>It has also been identified as part of this audit that an overall review of the governance arrangements of the WBSP and their associated groups should be undertaken. Under current arrangements, the WBSP or the commissioning executive have no delegated powers to approve NRF spend. Only officers of the council, as representatives of the accountable body, have such delegations. The recommended review of governance arrangements should therefore seek to ensure that payments from NRF, as well as being considered by the WBSP and their delegated groups; are also authorised in accordance with an appropriate scheme of council delegation.</p> <p>Recommendations</p> <ul style="list-style-type: none">• <i>Officers should ensure that evidence of the appropriate approval (for example, the minutes of the relevant commissioning executive) should be clearly documented on project files, including those cited in 2.2.2.</i>• <i>Officers should be reminded that only the NRF amount approved should be awarded. Payments in excess of the amount approved should only be made with sufficient prior approval.</i>• <i>Officers should further be reminded that minuted approval should include the project name, amount awarded and financial year(s) to which this award relates.</i>• <i>Approval for the amount of NRF awarded to the improving employability in Walsall project should be clarified. Should retrospective approval be required, the opportunity for this should be pursued.</i>• <i>The wider issue of approval of NRF projects / commissions should be considered as part of a recommended review of the overall governance arrangements of the partnership and their associated groups. Under current arrangements, the WBSP or the commissioning executive have no delegated powers to approve NRF spend. Officers of the council, as representatives of the accountable body, only, have such delegations. A review of governance arrangements should therefore seek to ensure that payments are authorised in accordance with an appropriate scheme of council delegation.</i>

**Neighbourhood Renewal Fund
Audit Report 2005/06**

2.3 The following was alleged:

In a letter to ██████, Director, WBSP, on 27/07/04, examples of approval sheets used by SRB were sent with a suggestion that they be adapted to notify programme management of decisions made. No response has been received to this.

2.3.1 Unable to pursue this allegation due to the director, WBSP, having since left the council. The NRF approvals & spend report 2003/04 (**Appendix B**), however, identified control weaknesses in relation to this aspect and made associated recommendations.

Conclusions & Recommendations

1.	Unable to pursue. See, however, NRF approvals & spend report 2003/04 and recommendations detailed within that report. Recommendations <ul style="list-style-type: none">• None.
----	--

3. Contracting

3.1 The following was alleged:

Grant agreements do not record expenditure profiles, milestones, expected outcomes or outputs and require only one signature from the organisation and the NRF co-ordinator.

3.1.1 In examining the 17 files for projects funded in 2003/04 the following were noted:

- The standard grant agreement did not record expenditure profiles, expected outcomes or outputs and only required one signature from the organisation and the NRF co-ordinator.
- It did not appear that grant agreements had been completed for 11 of the projects (B13, C01, C05, C17, C20, E04, F10, F14, G01, G04 and H05). Of the 6 projects where a grant agreement had been completed, 3 had not been signed and dated (A01, C04 and G06).

3.1.2 In examining the 6 files for projects and 3 commissions funded in 2004/05 the following were noted:

- The grant agreement used in 2003/04 had been updated for both project and commission related funding from 2004/05 onwards and now includes quantitative and qualitative impacts and milestones (including floor targets). It now requires two signatures (authorised signature and witness signature) from the council and the organisation. It was noted, however, that this agreement does not request a signatory date to be entered.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

- The last page of the commission grant agreement states “use this signatory page if agreement is over £100,000” to ensure that “in witness where of the parties hereto have hereunto affixed their Common Seals to this Deed the day and year first before written”. In both files selected for examination which exceeded this amount (A23 and C22) this page had not been completed.
- One signed commission grant agreement (C22) had been amended by hand in several places.

Conclusions & Recommendations

1.	Prior to 2004/05, NRF grant agreements did not record expenditure profiles, milestones, expected outcomes or outputs and required only one signature from the organisation and that of the NRF co-ordinator. In 2004/05, however, this has since been addressed in the revised grant agreement form.
2.	<p>Control weaknesses have been noted on review of grant agreements for a sample of projects selected for examination in both 2003/04 and 2004/05. The recommendations below should assist in this respect.</p> <p>Recommendations</p> <ul style="list-style-type: none">• <i>Grant agreements should be sourced and detailed on the project files of those 2003/04 projects referenced in 3.1.1. Also, where possible and for completeness, signatures should be sought on the grant agreements referenced in 3.1.1.</i>• <i>The revised grant agreement form should include the date of the signatures of the grant recipients and the council to ensure evidence is available of the timeliness of the agreement.</i>• <i>Where commissions are £100k or over, officers should ensure that all relevant sections of the grant agreement are completed and actioned including those referenced in 3.1.2.</i>• <i>Where grant agreements have been amended, each amendment must be signed and dated by all parties to the agreement. Dependent on the number of amendments, consideration should be given to issuing a revised grant agreement.</i>

3.2 The following was alleged:

Variations to original grant agreements are poorly recorded. A number of projects report verbal agreements but are not clearly documented.

Neighbourhood Renewal Fund Audit Report 2005/06

3.2.1 In examining the 6 files for projects and 3 commissions funded in 2004/05 the following were noted:

- The Young Peoples Consultation Framework project had been approved on 10 September 2004 for funding of £101,250 for which a grant agreement had been signed and dated. On 17 January 2005 the commissioning executive approved further funding of £25,000, but it was identified that a further grant agreement was not issued for the £25,000. While, a letter was issued stating that the commissioning executive had approved a variation to the 2004/05 grant agreement, it did not state that the funding should be spent in accordance with the original grant agreement. The signature of the grant recipient in agreeing the terms of the variation was also not detailed.
- The Compact Officer project managed by Walsall Voluntary Action had been approved on 23 September 2002 for which a grant agreement had been signed and dated. On 23 March 2005, the WBSP approved further funding of £35,789, however, a further grant agreement / letter was not issued to Walsall Voluntary Action for this additional amount.

Conclusions & Recommendations

1.	<p>Variations to original grant agreements appear to be poorly recorded / documented. The recommendations detailed below should assist in this respect.</p> <p>Recommendations</p> <ul style="list-style-type: none">• <i>Where additional amounts are approved to the original NRF approval, officers should be reminded that either a revised grant agreement form or a variation to the original grant agreement should be issued. Revised grant agreements / variations should also be subject to the same authorisations / approvals as grant agreements themselves.</i>• <i>In light of the recommendation above, a check of all projects currently funded back to their original grant agreements should be undertaken and revised grant agreements / variations to the original grant agreement issued where required. This should include the projects referenced in 3.2.1.</i>
----	--

4. Project Monitoring/Financial Management

4.1 The following was alleged:

There is a poor audit trail for programme submission, appraisal and approval, the process is over complex. Weaknesses in development, appraisal and approval mean that data is generally of a poor quality, making monitoring ineffective.

Neighbourhood Renewal Fund Audit Report 2005/06

Regular reporting regime not established. Relied heavily on NRF co-ordinator being able to carry out quarterly monitoring visits.

Poor monitoring of achievement and outcomes. Not always possible to say whether the funds awarded have impacted on the priority neighbourhood or floor targets.

Of 87 projects listed as receiving NRF funds only 6 can be identified as having a clear geographical focus on the priority neighbourhoods. Other projects have poor monitoring and evaluation and project officers were reluctant to provide detailed information.

The grant determination 2004 continues to say that NRF is a targeted grant it can be spent in any way that will tackle deprivation... WMBC may continue to be vulnerable if it cannot demonstrate that NRF has been spent in such a way.

For spends in 2003/04 there are still more than 50 projects where there is no evidence or incomplete evidence of expenditure and no narrative report to say how the funds have been spent to support deprived neighbourhoods. Most of these are service areas or major partners where funds were paid in advance. In many cases the funds will have been paid into the general fund. Requests for information have been ignored and in some cases senior managers have told fund holders not to respond.

Organisations fail to response to requests for monitoring information (only 39/87 responded in December 2003).

General issues relate to poor audit trail between development and approval; lack of clarity of what constitutes satisfactory evidence of expenditure; lack of clarity about targeting NRF; lack of clarity about use of delegation; lack of clarity about the management and monitoring of large commissions.

Projects paid in arrears normally submitted an invoice and supporting evidence of expenditure not required. No records kept by NRF co-ordinator so difficult to reconcile payments to performance.

4.2.1 In examining the 17 project files for funding in 2003/04 in relation to these allegations, the following were noted:

- There was no evidence on any of the project files to show that regular monitoring had been undertaken.
- There was no evidence on any of the project files to show that project outcomes, outputs or targets had been monitored and achieved.
- Due to the lack of monitoring information on the file it was not possible to confirm whether the funding had benefited its targets.
- Responses for requests for project monitoring information were not always received.

Neighbourhood Renewal Fund Audit Report 2005/06

- NRF allocations to external bodies were supported by an invoice from the recipient and allocations to internal bodies were supported by LAFIS printouts. However, in 11 cases out of 17 (A01, C01, C04, C05, C20, D07, F10, G01, G06, H05, D02) there was no evidence of how the grant had been spent. Where evidence was available on file, 3 projects were noted from the same applicant detailing the same expenditure details (invoice copies) on each of the project files (F13, F14 and G04).
- There was no invoice to support payments to Black Country Connexions in respect of the Walsall schools' inclusion forum project (C17).
- NRF allocated to SERCO projects were supported in some instances by an invoice from SERCO and on other occasions payments were made to SERCO via journal transfer.
- A request for payment for the Brown Bins project (H05) had been made with an internal sundry debtor invoice.
- It was noted that documentation held on NRF project files is not always date stamped.

4.2.2 In examining the 6 files for projects and 3 commissions funded in 2004/05 the following were noted:

- Since the January 2004, the programme management section have been solely responsible for processing claims and payments and ensuring that evidence is obtained to substantiate claims made. Improved programme management monitoring forms have been produced which allow for better management of each commission/project, monthly profile spend and give earlier warnings if a commission/project is not performing (either financially or via milestones). From 1 April 2005 these forms are to be issued monthly. Monitoring visits will be undertaken on a half yearly basis.
- Although £3,041,773.86 had been paid to SERCO for the learning commission, only £3,000,000 had been approved by the commissioning executive (total overpayment £41,773.86). In examining the paperwork held on file, it was found by the auditor that an overpayment of £40,219.87 had occurred in a payment made on 12 April 2005. An analysis of spend had been provided by SERCO which included salaries & wages £183,051.67, employers NI £17,279.23 and employers pension £22,940.64 separately (total £223,271.54). In checking evidence of spend provided it appears that the officer concerned verified the total wage bill as £223,271.54 and amended the salaries and wages figure of £183,051.67 to this amount therefore doubly accounting for the NI and pensions. The balance of the overpayment of £1,553.99 could not be identified.
- Cheques are returned to originators, which represents a control risk.
- In examining claims made it was found in certain instances where a cheque had been issued that cheque recipients were requested to sign and return a photocopy of the cheque to confirm receipt. This had not, however, always been returned.
- In 1 case, a claim form had not been completed for funding requested. (C22).

Neighbourhood Renewal Fund Audit Report 2005/06

- There appears to be some confusion regarding the treatment of VAT when calculating the claim amount. It was found in some cases that some expenditure detailed on the certain claims included VAT and in other cases the VAT had been excluded.
- It was noted in some instances that there was a delay in issuing cheques raised. For example a cheque was raised on 7 April 2005 but not issued to the payee until 22 April 2005 (H08).
- A total of £120,000 had been approved to part fund the costs of neighbourhood management. However, it was noted that £125,399.78 had been paid resulting in an overpayment of £5,399.78 (G10).
- The finance report for 2004/05 detailed a budget of £102,389 for the Improving Employability in Walsall project. The grant agreement detailed funding of £169,662 and it was identified that £142,700 had been paid out.
- The finance report for 2004/05 included expenditure of £60,425 for the Compact Officer project but payments of only £53,884.79 could be identified on the file.
- In one case (G03) claim forms had been completed and copies of Black Country Connexions nominal departmental analysis had been provided. Copies of invoices had not, however, been provided to substantiate the information on the nominal analysis.
- In 7 out of 9 cases it did not appear that a monitoring visit had been undertaken. (A23, C22, G10, UG1, UG6, D08 and F17).
- The form completed when monitoring visits are undertaken does not have to be signed or dated by the officer undertaking the visit.
- In 2004/05 it did not appear that regular monitoring of projects/commissions was undertaken. It is, however, understood that procedures have been tightened up since this date.
- From the sample of commissions/projects examined it was found that the majority had been approved in the latter part of 2004/05 resulting in NRF expenditure not being defrayed until the end of the financial year.

Conclusions & Recommendations

1.	<p>Monitoring of NRF expenditure has been unsatisfactory. A number of weaknesses have been identified which require attention.</p> <p>Recommendations:</p> <ul style="list-style-type: none">• <i>Robust and regular monitoring arrangements of project outcomes/ targets / spends should be implemented immediately. This should include evidence that the project has met / is targeted to meet the outcomes agreed at project approval, including those relating to floor targets and tackling deprivation. Evidence of such monitoring should be clearly recorded on project files.</i>• <i>Where monitoring reveals that a grant recipient has failed / is in danger of failing to meet agreed outcomes, then a procedure should be drafted detailing actions / reporting requirements in the event of a projects failure to deliver.</i>• <i>A review of projects cited in 4.2.1 should be undertaken to ensure that sufficient evidence of NRF spend has been obtained and that duplicate evidence has not been accepted to support evidence of spend.</i>• <i>Officers should be reminded that all project correspondence should be date stamped.</i>• <i>The overpayments to SERCO and neighbourhood management detailed in 4.2.2. should be addressed and recovered as a matter of urgency.</i>• <i>Officers should ensure that grant recipients complete claim forms for all funding requested.</i>• <i>VAT arrangements require immediate clarification.</i>• <i>The practice of raising cheques and holding them should be ceased. Cheques should not be returned to originators as this represents a control risk. Such events should only be in exceptional / emergency circumstances. This issue has been the subject of previous internal and external audit reports, regarding programme management (including SRB audit report 2003/04).</i>• <i>The anomalies identified in the improving employability in Walsall project should be investigated and resolved. Officers should be reminded to ensure consistency between figures quoted in finance reports, grant agreements and amounts subsequently paid out in respect of projects. Where variances exist a clear audit trail, documenting the necessary approvals should exist.</i>• <i>The difference between the compact officer project amount included on the finance report and that included on the project file should be investigated and resolved.</i>• <i>The monitoring visit form should be updated to include the signature and date of the officer undertaking the visit.</i>
----	--

**Neighbourhood Renewal Fund
Audit Report 2005/06**

(cont).

- ***As unspent NRF can be subject to claw back by GOWM, care should be taken with the commissioning approach to ensure that projects / commissions are approved in sufficient time to enable sufficient project expenditure to be defrayed within the financial year.***

4.3 The following was alleged:

Neighbourhood renewal strategic adviser seconded in but despite recognising weaknesses did not make improvements.

Failure to follow through on agreed actions. A NRF strategic adviser was appointed on secondment in Feb 2003 but management systems were not approved; evaluations were started but not completed, failure to bring follow up reports to JSB before additional funds were granted and fully committed.

4.3.1 On 20 January 2003 a report was presented to the JSB which detailed a secondment to the partnership from Wolverhampton (urgent item). The minutes state that ██████ asked why Wolverhampton were willing to give this person to us. ██████ replied that there are many offers to help Walsall and that this is one of them. The person that will be in post is very experienced in all the areas identified within the objectives of the report. The chair reiterated his comments at previous meetings regarding Walsall not being successful at sub-regional and regional levels. This post is in recognition of this'. The board approved the project, in principle, with a more detailed proposal being brought forward to the next meeting.

4.3.2 At the JSB meeting of 17 February 2003 the chair welcomed ██████, who was seconded from Wolverhampton City Council, to work with the partnership for at least 6 months to assist with neighbourhood management and development of the NRF process. It was stated that ██████ had experience of neighbourhood management in Wolverhampton and had previously worked with GOWM. ██████ went on to be appointed to the role of Director of the WBSP on 25 November 2003 and left the council on 5 June 2005.

Conclusions & Recommendations

1. ██████ was seconded as neighbourhood renewal strategic advisor in February 2003. No documentation detailing a proposed work plan or an evaluation of the effectiveness of this work was identified.

Recommendations

- ***As 1.6.***

Neighbourhood Renewal Fund Audit Report 2005/06

4.4 The following was alleged:

There is no regular reporting mechanism in place from project officers so the accounting body cannot be confident that funds have been used for the correct purpose. This includes WMBC service areas.

4.4.1 There did not appear to be any reporting by project officers during 2003/04. A finance report is now presented to the commissioning executive on a monthly basis by [REDACTED], head of finance (regeneration and neighbourhood services), which details spend on individual projects/commissions. A "Performance of Commissions" is regularly reported to the commissioning executive which sets out how commissions are performing against their agreed indicators/milestones, and allows for early intervention of any issues arising.

Conclusions & Recommendations

1.	Although no regular reporting mechanism appeared to be in place up to and including 2003/04; a finance report is now regularly reported to the commissioning executive detailing spend against individually approved projects / submissions. Recommendations <ul style="list-style-type: none">• None.
----	---

4.5 The following was alleged:

Statement of use returns to GOWM may not be an accurate reflection of the extent to which NRF funds were actually defrayed.

4.5.1 The council was required to submit an annual statement of use (each October) to GOWM detailing how NRF was being spent. This has since been discontinued in place of quarterly returns which began in December 2003.

4.5.2 Unlike other grant funded regimes, there is no requirement for the statement of use to be subject to audit certification prior to its submission. This is not to say that the statement of use did not have to be accurate. A sample of 3 projects (secure by design; youth initiatives and domestic violence) was selected and agreed to the relevant entry in the statement of use (2002/03) with no exceptions.

Conclusions & Recommendations

1.	All projects sampled could be verified to the statement of use. Recommendations <ul style="list-style-type: none">• None.
----	--

**Neighbourhood Renewal Fund
Audit Report 2005/06**

4.6 The following was alleged:

There is no formal auditing requirement between GOWM and Walsall MBC.

4.6.1 There is no requirement for NRF to be subject to external audit certification. NRF is, however, part of the internal audit's risk assessed plan and is subject to external audit scrutiny in their annual audit of the council's (as accountable body) annual accounts.

Conclusions & Recommendations

1.	<p>There is no requirement for NRF to be subject to external audit certification. NRF is, however, part of internal audit's risk assessed plan and subject to the same external audit scrutiny as any part of the council as part of external audit's annual audit process.</p> <p>Recommendations</p> <ul style="list-style-type: none">• None.
----	--

4.7 The following was alleged:

There is no project level financial and performance management system in place.

4.7.1 Each project file examined for funding in 2003/04 was found to have certain documentation missing in relation to the approval, monitoring and payment of the projects.

4.7.2 The quality of the project files was considered to be poor. From the files examined for 2004/05 funding, it was found that there had been a marked improvement. It was noted, however, that written procedure notes had not been produced documenting the financial and performance management arrangements of the council's, as accountable body, administration of NRF.

Conclusions & Recommendations

1.	<p>The financial and performance management arrangements in respect of the administration of NRF files have improved. These arrangements could be strengthened yet further with the implementation of the recommendations made in this and other referenced internal audit reports.</p> <p>Recommendations</p> <ul style="list-style-type: none">• Procedure notes should be produced regarding the financial and performance management arrangements of NRF project administration. Once complete, these should be issued to all relevant officers who should sign for their receipt.
----	--

Neighbourhood Renewal Fund Audit Report 2005/06

4.8 The following was alleged:

A number of projects have been paid a full annual allocation in advance resulting in less control. There is no criteria for advance payments.

Payments regularly made in advance. There is no way of knowing in every case if the funds were used for the purpose for which they were granted.

4.8.1 In 9 of the 17 2003/04 project files examined, the funding had been paid in advance and in two cases the funding had been paid partly in advance.

4.8.2 The assistant programme manager has confirmed that in 2004/05, the head of finance (regeneration and neighbourhood services) approved an advance payment for the learning commission project but this was not taken up and evidence of spend was provided prior to any payment being made. The under spends group approved £43,000 for Walsall Shop Mobility but as the organisation did not have the capacity for the level of spend, a payment in advance was approved by the head of finance (regeneration and neighbourhood services). It is understood that payments in advance have now ceased. The audit commission manager and head of finance (regeneration and neighbourhood services) did, however, agree a process by which advanced payments may be made in relation to schools expenditure in a controlled way. Payments are only made now upon receipt of an approved claim form and evidence of spend.

Conclusions & Recommendations

1.	Payment in advance is no longer practice. Recommendations: <ul style="list-style-type: none">• None.
----	---

4.9 The following was alleged:

Best practice from SRB programme not implemented for NRF.

4.9.1 The frameworks for SRB and NRF do not necessarily align and there is no requirement for them to align.

4.9.2 Further, limited best practice has been identified by internal and external audit in their respective reviews of NRF. The audit commission have identified issues with regard to evidence of spend and project management in their audit of the SRB grant claim; and certain controls in relation to SRB were also found to be insufficient and ineffective as detailed in the SRB audit report 2003/04.

Neighbourhood Renewal Fund Audit Report 2005/06

Conclusions & Recommendations

1.	Frameworks for SRB and NRF do not necessarily align. Recommendations <ul style="list-style-type: none">• None.
----	---

4.10 The following was alleged:

Faced with a situation at the end of March (2004) whereby because of the practice of payment in advance a number of service areas had been paid more NRF than they could account for. If it had been left to stand as in previous years it would have resulted in an overpayment of nearly £811,000. We therefore clawed back much of this funding and obviously attracted a bit of flack.

4.10.1 Information was requested from the head of finance (regeneration and neighbourhood services) regarding this, but he was unable to provide any further information regarding the £811,000.

Conclusions & Recommendations

1.	No findings available. See section regarding payments in advance at 4.8. Recommendations: <ul style="list-style-type: none">• None.
----	--

4.11 The following was alleged:

Being asked by GOWM to complete the quarterly return for 2004/05. Currently received £2,167,634 but LAFIS only shows a spend of £45,200. This does not include the £1,046,436 carried forward from last year.

4.11.1 The finance report to the December 2004 meeting of the commissioning executive forecast a significant under spend of £1.4 million, approximately 17 per cent of the total NRF budget. The commissioning executive agreed to re-allocate NRF in line with commissioning priorities and the final under spend and carry forward was reduced to £431,000. It was noted that GOWM agreed to increase the limit on carry forward of NRF into 2005/06, in light of the new commissioning approach, but the partnership did not need to make use of this flexibility. The finance report to the commissioning executive on 10 June 2005 outlined that from a budget of £8,276,163 (note that of this £7,121,950 is the current year allocation), £7,895,850 had been spent resulting in total under spend of £380,314.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

Conclusions & Recommendations

1.	A total under spend of £380,314 or 5% of the total NRF budget was noted at the year end 2004/05. Recommendations: <ul style="list-style-type: none">• None.
----	--

5. Governance (including quoracy)

5.1 The following was alleged:

Notes of JSB verbatim narrative of proceedings - not clear what has been agreed or level of funding approved.

5.1.1 This has been addressed in the NRF approvals & spend report 2003/04 (**Appendix B**).

Conclusions & Recommendations

1.	This has been addressed in the NRF approvals & spend report 2003/04 (Appendix B) and associated recommendations. Recommendations <ul style="list-style-type: none">• None.
----	--

5.2 The following was alleged:

Practice of receiving declarations of interest does not appear to have been rigorously adhered to.

WMBC members of the JSB did not declare an interest at the meeting on 16.06.03 in either Summer Reloaded or CCTV projects.

At meeting of 15/12/03 the chair (CE of PCT) failed to declare an interest in the Independent Living Centre project.

5.2.1 Two Walsall council members were in attendance (as core members) at a JSB meeting on 16 June 2003 when the Summer Reloaded project was submitted for approval. They did not declare an interest.

5.2.2 At a JSB meeting on 15 December 2003 the Chair, [REDACTED] (PCT) did not declare an interest in the Independent Living Centre / Integrated Community Equipment Store project.

5.2.3 Board members are aware of the need to declare an interest and details of such declarations are included in the minutes of the meeting.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

Conclusions & Recommendations

1.	<p>Members of organisations subject to approval of NRF funds have been present as voting members at meetings of the LSP without declaring an interest.</p> <p>Recommendations:</p> <ul style="list-style-type: none">• <i>The procedure for declaration of interests of members of the commissioning executive and LSP; when decisions regarding the use of NRF funds are made, should be clarified with constitutional services to ensure that sound governance arrangements exist. This should form part of the overall review of governance recommended previously in this report.</i>
----	---

5.3 The following was alleged:

Notes also say that decisions on NRF would be taken by the council as the accountable body which may be contrary to approval process.

5.3.1 At the meeting of the JSB on 15 December 2003, the chair informed the board that “they were inquorate. Therefore the board proposed that any decisions taken would be “in principal” and ratified at the next meeting. With regards to decisions on the NRF, the final decision would be taken by the local authority, as the accountable body”. This proposal was agreed by members.

5.3.2 At the same meeting, in the case of the community safety lead in commission, an action was recorded that '██████ to speak with the accountable body to ensure that they are happy with the change to the funding request'.

5.3.3 These decisions were not ratified at subsequent meetings of the LSP, which was an issue identified by the head of programme management in his review of the governance arrangements of the LSP. The issue of quoracy and governance was highlighted to management by the head of programme management who prepared a report to the Director of the WBSP, which in turn was rectified in reports to the WBSP on 5 July 2004 and the commissioning executive on 16 July 2004.

Conclusions & Recommendations

1.	The allegation that 'decisions on NRF would be taken by the council as the accountable body, which may be contrary to approval process' is based on the presumption that the council should not approve decisions regarding NRF and that this should be the responsibility of the WBSP only. As highlighted in 2.2.3 and 2.2.4, while the WBSP and associated groups should, in the spirit of partnership working, should determine spending plans, under current arrangements, only officers of the council, as accountable body to these funds, with the appropriate delegation can approve NRF expenditure. The overall review of governance recommended at 2.2.4 should assist in this respect.
2.	<p>There was an issue with approvals at the meeting of 15 December 2003, but these were addressed in subsequent meetings of the LSP. Please also see NRF approvals & spend report 2003/04.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> • Minute takers should be reminded that care should be taken in providing concise and accurate minutes of meetings of the LSP to ensure there is little scope for alternative interpretation of a comment.

5.4 The following was alleged:

Establishment of Commissioning Executive - Meeting on 15/12/03 inquorate and decision not ratified at meeting of 19/01/04. it is questionable that any decisions concerning the allocation are valid.

5.4.1 The meeting of 15 December 2003 was inquorate and decisions made were not ratified at the next meeting on 19 January 2004. As part of the review of the WBSP, the head of programme management was commissioned to identify any queries resulting from attendance and records of decisions made at board meetings. As a result of this [REDACTED] acted to rectify the concerns raised by submitting reports to the WBSP on 5 July 2004 and the commissioning executive on 16 July 2004 to ratify decisions made. Both reports were approved by the respective boards.

Conclusions & Recommendations

1.	<p>Quoracy has been identified as a control weakness. See NRF approvals & spend report 2003/04 (Appendix B).</p> <p>Recommendations:</p> <ul style="list-style-type: none"> • None.
----	---

**Neighbourhood Renewal Fund
Audit Report 2005/06**

5.5 The following was alleged:

Of the 12 meetings held between 28/04/03 to 31/03/04 only 4 meetings were quorate for the duration of the meeting.

Of the 5 meetings held between 17/11/03 to 31/03/04 3 meetings were inquorate and the other 2 became inquorate during the meeting.

Decisions made by the JSB between 28/4/03 to 31/3/04 fall into three categories:

- 1. decisions made at meetings which were quorate and where the minutes were agreed at a quorate meeting.*
- 2. decisions made at meetings which were quorate but where the minutes were not agreed because the subsequent meeting was inquorate.*
- 3. decisions made at meetings which were inquorate.*

5.5.1 12 JSB meetings were held in 2003/2004 where projects requiring approval for funding were submitted. In examining the minutes of the meetings it was found that only four of the meetings were quorate throughout. Two meetings were inquorate throughout and six became inquorate during the course of the meeting.

5.5.2 As part of the review of the WBSP, the head of programme management was commissioned to identify any queries resulting from attendance and records of decisions made at board meetings. As a result of this [REDACTED] acted to rectify the concerns raised by submitting reports to the WBSP on 5 July 2004 and the commissioning executive on 16 July 2004 to ratify decisions made. Both reports were approved by the respective boards.

5.5.3 Quoracy issues have also been dealt with and associated recommendations made in the NRF Approvals & Spend Report 2003/04 (**Appendix B**).

Conclusions & Recommendations

1.	Quoracy has been identified as a control weakness. Please see NRF Approvals & Spend Report 2003/04. Recommendations <ul style="list-style-type: none">• None.
----	--

5.6 The following was alleged:

Meeting of 28/4/03 only meeting quorate which was followed by a quorate meeting on 19/5/03 at which minutes of previous meeting approved.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

Practise adopted of receiving minutes of previous meeting as last item of business and on many occasions the meeting had become inquorate so the minutes of the previous meeting were not formally adopted as a true and accurate record. This also makes it difficult to deal with effectively with any matters arising.

5.6.1 This was found to be the case during the financial year 2003/04.

Conclusions & Recommendations

1.	<p>During 2003/04 it appears that the minutes of certain meetings have not been adopted as a true and accurate record due to the inquoracy of the subsequent meetings in which they were approved.</p> <p>Recommendations</p> <ul style="list-style-type: none">• <i>A quorate membership should always be present when the minutes of the previous meeting are being formally approved. To assist this process the agenda item of the approval of the previous meeting minutes should be brought forward to one of the first items of business.</i>
----	--

5.7 The following was alleged:

Meetings of 21/07/03, 22/09/03, 17/11/03 and 23/02/04 became inquorate but this was not recorded in the minutes.

5.7.1 Four of the JSB meetings held in 2003/2004 became inquorate part way through but this was not recorded in the minutes.

Conclusions & Recommendations

1.	<p>Four of the JSB meetings held in 2003/2004 became inquorate part way through but this was not recorded in the minutes.</p> <p>Recommendations</p> <ul style="list-style-type: none">• <i>Where a meeting becomes inquorate, minute takers should be reminded to notify the meeting as such and record this in the minutes.</i>
----	---

5.8 The following was alleged:

Meeting of 19/1/04 inquorate as █████ shown as a member, however, it is inappropriate to record her as a member as she is an officer of the WBSP (interim civic commissioning manager)

Meeting of 15/12/03 inquorate and the proposal to retrospectively record █████ as a substitute for █████ is questionable.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

- 5.8.1 At the JSB meeting of 19 January 2004 the minutes did not reflect the fact that [REDACTED] (who was on secondment to the partnership from the PCT) was acting as a substitute for [REDACTED]. Failure to record this substitution brought into question whether [REDACTED] should have been listed as a member of the board.

Conclusions & Recommendations

1.	<p>[REDACTED] (on secondment to the partnership from the PCT) was acting as a substitute for [REDACTED]. Failure to record this substitution brought into question whether [REDACTED] should have been listed as a member of the WBSP.</p> <p>Recommendations</p> <ul style="list-style-type: none">• <i>The membership of the WBSP should be clarified at the start of each meeting. Where substitutes are allowed and appointed, these should be determined in advance and included within the terms of reference / constitutional arrangements of the WBSP.</i>• <i>A review of the minutes of meetings attended by [REDACTED] in which she substituted for [REDACTED], while acting in her capacity as interim civic commissioning manager, should be reviewed to confirm the validity of the decisions made.</i>
----	---

- 5.9 The following was alleged:

No AGM was held at 31.03.03 and therefore the WBSP is acting contrary to its published constitution.

Constitution suggests that changes can only be made at the AGM and it is questionable whether the commissioning executive could have been established until it had been agreed at an AGM.

- 5.9.1 The AGM was held on 24 March 2003.

Conclusions & Recommendations

1.	<p>The AGM of the WBSP was held on 24 March 2003.</p> <p>Recommendations</p> <ul style="list-style-type: none">• <i>The WBSP should continue to ensure that it holds its AGM in accordance with its constitution.</i>
----	--

- 5.10 The following was alleged:

Report of 31.03.04 is the first paper which clearly recommends the disestablishment of the JSB. Members may not have been fully aware of the implications.

Neighbourhood Renewal Fund Audit Report 2005/06

A formal motion to the extraordinary general meeting of the JSB in Feb/Mar 2004 re their disestablishment would have been prudent.

- 5.10.1 A report to the JSB of 31 March 2004 recommended the disestablishment of the board. The principal partnership officer stated that it was not possible to judge people's awareness. However, consultation had been ongoing since November 2003 and had been discussed at all board and executive meetings. Subsequent to the meeting letters were forwarded to relevant members regarding this.

Conclusions & Recommendations

1.	Members of the board appear to have been made aware of the associated implications of their disestablishment. This appears, however, to be subsequent to the proposal being put before them for approval. Recommendations: <ul style="list-style-type: none">• <i>Officers should be reminded to ensure that the board are fully aware of any associated consequences / implications of all proposed actions.</i>
----	--

- 5.11 The following was alleged:

At WSPB meeting on 6/05/04 the minutes record that the constitution was approved and adopted however the constitution submitted was draft and under section 5.2 no list of members.

- 5.11.1 The constitution was submitted as a draft document as it had not yet been approved. Although members are not listed in the constitution, the organisations from which members originate is detailed. A final copy of the constitution was not presented to a subsequent meeting.
- 5.11.2 It is usual practice for a draft document to be submitted to a committee for approval. The document becomes final on committee's approval. It is not a requirement that the document be presented again to the next committee marked as final.

Conclusions & Recommendations

1.	The draft constitution was approved on 6/5/04 in accordance with usual practice. Recommendations: <ul style="list-style-type: none">• <i>None.</i>
----	---

- 5.12 The following was alleged:

It is questionable whether the WBSP has been properly constituted.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

5.12.1 The constitution was submitted to the AGM's on 24 March 2003 and 6 May 2004.

Conclusions & Recommendations

1.	<p>The WBSP appears to have been properly constituted. The overall review of governance arrangements recommended at 2.2.4 may require a review of the current WBSP and associated group's constitutions.</p> <p>Recommendations</p> <ul style="list-style-type: none">• None.
----	---

5.13 The following was alleged:

The partnership director refers to hers and others delegation to approve NRF funding to extend projects. No such delegation has been granted.

Report submitted to meeting of 15.12.03 to request delegated powers. Notes of meeting state that they are being requested so that small amounts of funds can be approved without the board having the detail. The notes also say that the report was accepted not agreed. The meeting was inquorate. The report was not resubmitted to the next meeting on 19/01/04.

Meeting of 15/12/03 inquorate and decision to grant delegated powers was not ratified. Notes of meeting state further report to made to January meeting but not done. Therefore decisions made under delegated powers may not be valid.

At commissioning executive meeting of 6.02.04 5 members left the meeting making it inquorate before delegated powers were granted to [REDACTED], [REDACTED] and [REDACTED] to agree additional funding of £50,000 for Walsall Mini Reloaded Commission.

No delegation has been approved by JSB for the commissioning executive.

5.13.1 A report was submitted to the JSB on 15 December 2003 requesting delegated powers for small amounts of funding, the limits to be reported to the next meeting. The meeting was inquorate and it was agreed that decisions would be ratified at the next meeting. The decisions were not ratified at the next meeting and a further delegation report was not submitted.

5.13.2 A report was submitted to the commissioning executive on 6 February 2004 regarding the Walsall Mini Reloaded commission when the Executive agreed that [REDACTED], [REDACTED] and [REDACTED] be given delegated powers to consider the request and approve funding of up to £50,000.

Neighbourhood Renewal Fund Audit Report 2005/06

- 5.13.3 As part of the review of the WBSP, the head of programme management was commissioned to identify any queries resulting from attendance and records of decisions made at board meetings. As a result of this [REDACTED] acted to rectify the concerns raised by submitting reports to the WBSP on 5 July 2004 and the commissioning executive on 16 July 2004 to ratify decisions made. Both reports were approved by the respective boards.
- 5.13.4 On 22 June 2004 the commissioning executive approved delegated authority of up to £250,000 to [REDACTED], [REDACTED], [REDACTED] and [REDACTED] (non Walsall council employee). The meeting was, however, inquorate and it was agreed that decisions would be ratified at the next meeting. The details of this were included in the report submitted by [REDACTED] detailed in 5.13.3.

Conclusions & Recommendations

1.	There appears to have been issues with the approval of the delegation to certain appointed officers. These issues have since been addressed.
2.	<p>The legality of the granting of delegated authority for NRF spend to non Walsall council employees should be pursued with legal services and as part of the overall governance arrangements of the WBSP. [REDACTED] should be asked not to make any delegated decisions / authorisations until appropriate guidance from legal services has been obtained.</p> <p>Recommendations:</p> <ul style="list-style-type: none">• Where decisions are made based on delegated approval, they should be documented as such on project / commission files. These decisions should also be reported back for information to the next available meeting of the commissioning executive / WBSP as appropriate to ensure complete transparency / accountability.• Legal services should be asked to undertake a review of the legality of the granting of delegated authority for NRF spend to non council employees. This should form part of the overall review of governance arrangements recommended at 2.2.4 of this report.

- 5.14 The following was alleged:

Report "recommendation on the development of the WBSP" submitted to JSB on 23.02.04. The meeting was inquorate but the notes state that the report was approved in principle with a further report to be brought to the next meeting. No action should have been taken until after this.

A report was submitted to the JSB on 31 March 2004 'reshaping the partnership'. The meeting was inquorate and could therefore not make decisions.

Neighbourhood Renewal Fund Audit Report 2005/06

Report to meeting of 23/2/04 re JSB being replaced by WBSP agreed in principle with a further report to the March meeting. Meeting of 31/3/04 inquorate and therefore proposals not formally approved.

- 5.14.1 The meeting of 23 February 2004 and 31 March 2004 were both inquorate.
- 5.14.2 As part of the review of the WBSP, the head of programme management was commissioned to identify any queries resulting from attendance and records of decisions made at board meetings. As a result of this [REDACTED] acted to rectify the concerns raised by submitting reports to the WBSP on 5 July 2004 and the commissioning executive on 16 July 2004 to ratify decisions made. Both reports were approved by the respective boards.

Conclusions & Recommendations

1.	<p>There appears to have been an issue with the quoracy of the WBSP when the item of 'reshaping the partnership' was discussed. This appears to have since been addressed.</p> <p>Recommendations:</p> <ul style="list-style-type: none">• None.
----	--

- 5.15 The following was alleged:

The proposal to establish a commissioning executive was put to the JSB on 15/12/03 but the meeting was inquorate.

Commissioning executive was not approved by JSB as the meeting of 15/12/03 was inquorate.

- 5.15.1 The meeting of 15 December 2003 was inquorate.
- 5.15.2 As part of the review of the WBSP, the head of programme management was commissioned to identify any queries resulting from attendance and records of decisions made at board meetings. As a result of this [REDACTED] acted to rectify the concerns raised by submitting reports to the WBSP on 5 July 2004 and the commissioning executive on 16 July 2004 to ratify decisions made. Both reports were approved by the respective boards.

Conclusions & Recommendations

1.	<p>There appears to have been an issue with the quoracy of the WBSP when the item of establishing the commissioning executive was discussed. This appears to have since been addressed.</p> <p>Recommendations:</p> <ul style="list-style-type: none">• None.
----	---

**Neighbourhood Renewal Fund
Audit Report 2005/06**

5.16 The following was alleged:

At programme management board on 4/8/03 [REDACTED] presented a report entitled "agreement to rectify admin error leading to query of NRF payment". The report does not identify the projects in question, payment was made in full in Feb 2003 without a grant agreement which was not signed until Nov 2003.

5.16.1 A report was presented to the programme board on 4 August 2003 entitled "agreement to rectify administrative error, leading to query of NRF payment" by [REDACTED]. The report does not identify the projects in question.

5.16.2 An examination of the minutes of the programme management board on 4 August 2003 detail that "[REDACTED], NRF co-ordinator raised the issue of an administrative error that had occurred with three projects from the previous financial year, which came to light when this year's agreement letters were issued. Two of the projects are for SERCO, who had submitted 12 projects in total. While the programme board had recommended these to the JSB, the summaries submitted to the JSB did not include two of the projects. [REDACTED], WBSP chair had requested the matter be resolved at this level. It was acknowledged that the board had previously seen the papers, the projects had delivered and felt that if the JSB had received the summaries, they would have been approved. The other outstanding project is the M6 Pilot Programme. The amount stated in the grant agreement was different to what had been agreed in the original bid. Again the bid had been approved at the relevant stages. The board agreed for these projects to receive their relevant funding.

5.16.3 In examining records maintained the programme officer identified two possible SERCO projects to which [REDACTED] could have been referring; the Literacy and Numeracy Project and the Raising Educational Standard Projects. In both cases the grant agreements had not been signed until 3 November 2003. Payments were made to SERCO in 2001/02, 2002/03 and 2003/04 for the projects.

Conclusions & Recommendations

1.	A report was submitted to programme management board on 4/8/03 by ██████ presented a report entitled 'agreement to rectify admin error leading to query of NRF payment'. The report did not identify the projects in question.
2.	<p>It appears that payments have been made to SERCO in 2001/02 and 2002/03 despite a signed grant agreement not being in place until Nov 2003.</p> <p>Recommendations:</p> <ul style="list-style-type: none">• Officers should ensure that all reports submitted for the board's consideration, clearly state the projects to which they refer.• Officers should ensure that appropriate approval has been obtained and is detailed on all project files prior to funding being awarded.• Care should be taken to ensure that the value of NRF awarded is consistent across grant applications; approvals and agreements. Any anomalies should be immediately investigated and corrective action taken where necessary.• Officers should ensure that grant agreements have been appropriately signed before payments are made to grant recipients.

5.17 The following was alleged:

On 23/06/04 ██████ sent an e-mail saying that on 22/6/04 the commissioning executive delegated authority to ██████, ██████ and ██████ up to £250,000. The e-mail fails to recognise the commissioning executive was not properly established and cannot therefore make decisions. ██████ is not an employee of the council and could make decisions on funding which is the council's responsibility.

5.17.1 On 22 June 2004 the commissioning executive approved delegated authority of up to £250,000 to ██████, ██████, ██████ and ██████. The meeting was, however, inquorate and it was agreed that decisions would be ratified at the next meeting.

5.17.2 As part of the review of the WBSP, the head of programme management was commissioned to identify any queries resulting from attendance and records of decisions made at board meetings. As a result of this ██████ acted to rectify the concerns raised by submitting reports to the WBSP on 5 July 2004 and the commissioning executive on 16 July 2004 to ratify decisions made. Both reports were approved by the respective boards. The details of this were included in the report submitted by ██████ detailed in 5.18.1.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

Conclusions & Recommendations

1.	The commissioning executive delegated authority to █████, █████, █████ and █████ up to £250,000. This meeting was inquorate, but approval issues have since been addressed.
2.	█████ is an employee of the PCT.
	Recommendations: <ul style="list-style-type: none">• See section 5.13.

5.18 The following was alleged:

On 5/7/04 the head of programme management was called to █████ office to be shown a report headed "approval of governance arrangements of the WBSP". She asked that he compare it to the original report that he had presented to her on 19/06/04. The following points were noted:

- ♦ *the revised report fails to portray the catastrophic failure of governance (see 5.18.2)*
- ♦ *para 2.7 requests retrospective approval for decisions made while the meeting was inquorate. This is highly irregular. (see 5.18.2)*
- ♦ *para 2.7 refers to decisions which were time expired which cannot be backdated. The report makes not reference to the fact that some payments had been made. (see 5.18.2).*
- ♦ *para 2.9 says there is sufficient evidence in the various reports to be sure that the JSB's intention was to approve commissioning, establishing a commissioning executive and approve funding decisions. This is not correct. (5.18.3).*
- ♦ *rec 4.4 is to approve that new arrangements are made for recording all business conducted at board meetings but does not say what those arrangements are. (see 5.18.4).*
- ♦ *appendix A is an eclectic mix of the recommendations from head of programme management 's original report. The items are taken out of chronological order without reference to the date of the original decision. (see 5.18.5)*
- ♦ *the item recruitment director does not include a salary. (see 5.18.6)*
- ♦ *the funding for the Independent Living Centre fails to make note that project effectively does not exist and not site has been identified. (see 5.18.7).*
- ♦ *the final item "delegated authority to the Chair of the WBSP up to £50,000" is a new item and was never proposed to the JSB at any meeting between April 2003 and March 2004. (see 5.18.8).*
- ♦ *the report fails to recognise the point made in the original report that the JSB was disestablished without its approval. (see 5.18.9)*
- ♦ *the revised report also fails to address the issues of decisions made by the commissioning executive between January 2004 and June 2004 when it was not properly approved. (see 5.18.10)*

**Neighbourhood Renewal Fund
Audit Report 2005/06**

- 5.18.1 As part of the review of the WBSP, the head of programme management was commissioned to identify any queries resulting from attendance (quoracy) and records of decisions made at board meetings. As a result of this [REDACTED] acted to rectify the concerns raised by submitting reports to the WBSP on 5 July 2004 and the commissioning executive on 16 July 2004 to ratify decisions made. Both reports were approved by the respective boards.
- 5.18.2 The report submitted to the WBSP by [REDACTED] on 5 July 2004 details that a number of queries emerged regarding attendance and subsequently decisions made at meetings. The report does not identify that some payments may have been made or that decisions were time expired.
- 5.18.3 Paragraph 2.9 of the report states that there was sufficient evidence to ensure that the intention of the board was to approve commissioning, establish the commissioning executive and approve funding decisions discussed or/and agreed at the meetings. Commissioning was discussed at the JSB/commissioning executive on a regular basis and the draft framework for commissioning was presented to the JSB on 16 June 2003. On 15 December 2003 a report was submitted to the JSB on establishing a commissioning executive and on 23 February 2004 a report was submitted regarding the replacement of the JSB.
- 5.18.4 The report includes a recommendation to approve that new arrangements are made for recording all business conducted at board meetings. This is covered within section 3.5 of the report, which states that minute taking arrangements with clearly identified recording of attendance at meetings is to be put in place for all future board meetings.
- 5.18.5 Appendix A to [REDACTED] report does not make reference to the date the project was originally submitted to the board.
- 5.18.6 The item within Appendix A, "headed JSB approved seeking ratification where minutes in question" includes the recruitment of director – per annum (to 31 March 2006) but does not include a salary figure. All other items included under this heading included a financial amount.
- 5.18.7 The request to approve funding towards the development of the independent living centre of £325,000 within Appendix A does not give any details regarding the progress of the project.
- 5.18.8 A report was submitted to the commissioning executive on 6 February 2004 regarding the Walsall Mini Reloaded commission when the Executive agreed that [REDACTED], [REDACTED] and [REDACTED] be given delegated powers to consider the request and approve funding of up to £50,000.
- 5.18.9 Included within Appendix A is a request to approve the dissolution of the JSB. The JSB was dissolved in March 2004 and the last meeting was held on 31 March 2004.

Neighbourhood Renewal Fund Audit Report 2005/06

5.18.10 [REDACTED] report to the WBSP on 5 July 2004 includes a recommendation to approve all funding decisions by the JSB, the performance and review group and the commissioning executive up to 6 May WBSP board meeting. The report submitted to the commissioning executive on 16 July 2004 by [REDACTED] states that to ensure that all decisions made by the commissioning executive can demonstrate full approval, decisions from April 2004 to date should be ratified by the commissioning executive.

Conclusions & Recommendations

1.	<p>There appears to have been some concern by the head of programme management that the issues identified were not sufficiently reported to the WBSP or the commissioning executive by the previous director of the WBSP. This concern appears to have arisen from the director not submitting the previous head of programme management's full report. See also NRF approvals & spend report 2003/04 (Appendix B).</p> <p>Recommendations</p> <ul style="list-style-type: none">• None.
----	--

5.19 The following was alleged:

CCTV project brought to meeting of 16.06.03 for approval, meeting inquorate and board agreed to make decisions in principle and to ratify at the next meeting however it was not specifically ratified at the next meeting.

5.19.1 The meeting of 16 June 2003 was inquorate and decisions were not ratified at the next meeting on 21 July 2003.

5.19.2 See also NRF Approvals & Spend Report 2004/05.

Conclusions & Recommendations

1.	<p>The meeting of 16 June 2003 was inquorate and decisions were not ratified at the next meeting on 21 July 2003. See NRF approvals & spend report 2004/05 (Appendix B).</p> <p>Recommendations</p> <ul style="list-style-type: none">• None.
----	--

5.20 The following was alleged:

On 15/12/03 discussion on a proposed audit and mapping exercise. It was not clear whether NRF expenditure was agreed as it was not ratified at the next meeting.

Neighbourhood Renewal Fund Audit Report 2005/06

- 5.20.1 The audit and mapping exercise of BME organisations was discussed at the meeting of 15 December 2003. It was agreed that in order for the work to be undertaken a sub group be established. The meeting was inquorate and decisions made were not ratified at the next meeting on 19 January 2004.
- 5.20.2 As part of the review of the WBSP, the head of programme management was commissioned to identify any queries resulting from attendance and records of decisions made at board meetings. As a result of this [REDACTED] acted to rectify the concerns raised by submitting reports to the WBSP on 5 July 2004 and the commissioning executive on 16 July 2004 to ratify decisions made. Both reports were approved by the respective boards.

Conclusions & Recommendations

1.	There appears to have been a quoracy issue at the meeting where a proposed audit and mapping exercise was discussed. Approval has, however, since been addressed. Recommendations: <ul style="list-style-type: none">• None.
----	---

6. Commissioning (including test commission)

6.1 The following was alleged:

On 3/7/03 GOWM cautioned that the development of the commissioning model should not jeopardise continuing delivery despite this a number of proposals were put on hold resulting in funding remaining unallocated.

In early 2003 the WBSP decided NRF resources would be allocated on a commissioning approach. However a number were submitted under the project lead approach leading to confusion and suspicion that double standards were being applied. Since June 2003, 9 new projects approved majority of which were for WMBC and PCT – vulnerable to criticism that they are being treated more favourably.

Some projects were put on hold in June 2003 but other one off commissions have come forward and circumvented the commissioning process.

Although organisations were told in June 2003 the project lead approaches were being abandoned a number of special arrangements appear to have been made to circumvent the commissioning process.

Movement to commissioning could adversely affect the ability to deliver activities against NRF funding in 2004/05.

- 6.1.1 The programme board on 2 June 2003 acknowledged that the partnership was moving away from a bid culture and that this would be re-iterated at an away day scheduled for later that month. The JSB did, however, continue to approve a number of projects to sustain the community support that was being provided.

Neighbourhood Renewal Fund Audit Report 2005/06

- 6.1.2 In 2004/05 when the commissioning process commenced, funding for the year was broken down into the following categories:
- Projects with agreed carry over from 2003/04 (16 totalling £563k);
 - projects granted extra funds in 2003/04 (12 totalling £469k);
 - projects agreed in 2003/04 to commence in 2004/05 (7 totalling £1.1million);
 - commissions (8 totalling £4.9 million);
 - funding for posts (7 elements totalling £613k); and
 - NRF sub group expenditure approved (19 totalling £885k).
- 6.1.3 A total of £8.5 million NRF was budgeted in 2004/05. Of this Walsall PCT was awarded 7 projects totalling £461k (5.4% of total 2004/05 budgeted spend) and the council was awarded 39 projects totalling £3.4 million (41% of total 2004/05 budgeted spend). The remainder of the NRF allocation in 2004/05 was awarded to organisations including Groundwork, Chamber of Commerce, SERCO, Lifelong Learning Alliance, Walsall Voluntary Action, Domestic Violence Forum and Walsall Manor Hospital Trust.
- 6.1.4 There was an under spend of NRF funding in 2004/05. The finance report to the December 2004 meeting of the commissioning executive forecast a significant under spend of £1.4 million, approximately 17 per cent of the NRF budget. The commissioning executive agreed to reallocate NRF in line with commissioning priorities and the final under spend and carry forward was reduced to £431,000; the majority of this being allocated to commissions whose funding will be proportionately reduced in 2006. It was noted that GOWM agreed to increase the limit on carry forward of NRF into 2005/06, in light of the new commissioning approach, but the partnership did not need to make use of this flexibility. The finance report to the commissioning executive on 10 June 2005 outlined that from a budget of £8,276,163, £7,895,850 had been spent resulting in total final underspend of £380,314.
- 6.1.5 In examining the 3 commission files which were funded in 2004/05 the following was found:
- 6.1.6 The Community Safety and Reclaiming Our Neighbourhoods commission (A23) was awarded to the council's Safer Walsall Partnership (SWP) and was approved (£252k) by the commissioning executive on 5 November 2004. In this case the commissioning process was not instigated and the commission was not tendered.
- 6.1.7 The Lifelong Learning commission (C22 - £3 million) was awarded to SERCO, the provider of education services to the council and was approved by the commissioning executive on 7 May 2004. In this case the commissioning process was not instigated and the commission was not tendered.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

- 6.1.8 The Caper Project commission (H08 - £58k) was awarded to Groundwork and was approved by the commissioning executive on 10 September 2004. In this case the commissioning process was not instigated and therefore the commission did not go out to tender. Groundwork had received NRF funding in previous years for the project.
- 6.1.9 All of the above commissions had been discussed at the JSB and commissioning executive on a regular basis before the decision to approve the funding was made.
- 6.1.10 Review of the framework for commissioning (dated June 2003) defines commissioning in its simplest form as 'an order for a piece of work'. The framework also details under contract and procedure rules, 'all commissioning will adhere to the regulations laid out in the council standing orders schedules and thresholds'. It is understood that only the 'Improving the Image of Walsall' commission went through the tender process.

Conclusions & Recommendations

1.	The development of the commissioning model does not appear to have jeopardised the delivery of NRF. A potentially significant under spend position was turned around in 2004/05 giving a final total under spend of only £380k (4.6% of the total budget).
2.	Although the commissioning approach was adopted fully for NRF funding in 2004/05, there remained a significant number of non-commissioned project based funding allocations in 2004/05. This could explain the confusion and suspicion of double standards and allegations of 'circumventing of the commissioning process'.
3.	Some 46.4% of the total NRF spend in 2004/05 appears to have been awarded to the council and PCT. There is no evidence of 'more favourable treatment'.
4.	<p>A review of a sample of commission files and the associated commissioning framework, identified an urgent need to clarify the difference between a 'commission' as a procurement exercise and a 'commission' as a grant. If this is not made immediately clear, the commissioning executive could be at risk of breaching aspects of the council's contract procedure rules and also OJEU requirements; particularly where 'commissions' have been allocated outside of the council.</p> <p>Recommendations:</p> <ul style="list-style-type: none">• <i>The commissioning framework requires review and update. This review should immediately clarify the term 'commissioning' making the distinction between commissioning as a 'grant' and as 'a procurement exercise' absolutely clear. It is recommended that legal services assist in this respect.</i>• <i>The review of commissioning should ensure that commissioning executive has adequate arrangements in place to ensure compliance with the council's contract and financial procedure rules and European procurement requirements.</i>• <i>To be prudent, it is also recommended that a full review of the legal arrangements for the WBSP and associated groups is undertaken.</i>

6.2 The following was alleged:

In June 2003, WBSP agreed to move to a commercial commissioning basis. No linkage to mainstream funds allocated by partner.

Neighbourhood Renewal Fund Audit Report 2005/06

- 6.2.1 The grant agreement introduced in 2004/05 includes a requirement under monitoring and evaluation that the 'recipient commission lead organisation shall maintain records of activity taking place in terms of the following... progress towards mainstreaming / effecting mainstream service change'.
- 6.2.2 It was identified that where projects have been funded by NRF, mainstream funding is used wherever possible to enable successful projects to continue. For example the secure by design project is now mainstream funded (apart from salary costs).

Conclusions & Recommendations

1.	Consideration of mainstream funds is considered as part of the grant agreement form. Recipient commission lead organisations are required to record the effect / potential of the project for mainstream funding. Recommendations: <ul style="list-style-type: none">• Management should request recipient commission lead organisations to document a formal exit strategy, detailing financial sustainability at the end of the project.
----	---

- 6.3 The following was alleged:

Programme management staff do not feature in the proposed commissioning process.

- 6.3.1 Programme management officers are responsible for monitoring NRF projects/commissions and making approved payments from NRF, under the management of the head of neighbourhood management. Issues have arisen in the past where programme management officers have not been kept informed of approvals / duplicate payments. This has since been addressed. See also the NRF approvals & spend report 2003/04 (**Appendix B**) and associated recommendations.

Conclusions & Recommendations

1.	Programme management staff have a key role in the commissioning process. Recommendations: <ul style="list-style-type: none">• None.
----	--

- 6.4 The following was alleged:

Process fails to anticipate conflicts of interests if members of theme groups are involved. No clear provider/purchaser split.

Neighbourhood Renewal Fund Audit Report 2005/06

- 6.4.1 Relevant theme groups (consisting of partners' representatives) are notified of commissions approved by the board and requested to select a group of specialists to work with to develop the specification. Returned tenders are evaluated by the theme group also. There is a potential for a conflict of interest as a member of the theme group may have an interest in the commission as they may wish individually or as part of an organisation to submit a tender.

Conclusions & Recommendations

1.	The risk does exist that a theme group member may bid / tender for a commission, which is being managed by their group. Governance arrangements in respect of such occasions should be clarified. Recommendations: <ul style="list-style-type: none">• See 5.2.3.
----	---

- 6.5 The following was alleged:

The commissioning process has not been approved by the JSB.

- 6.5.1 The commissioning framework was presented and approved by the JSB on 16 June 2003. The meeting was however inquorate.
- 6.5.2 As part of the review of the WBSP, the head of programme management was commissioned to identify any queries resulting from attendance and records of decisions made at board meetings. As a result of this [REDACTED] acted to rectify the concerns raised by submitting reports to the WBSP on 5 July 2004 and the commissioning executive on 16 July 2004 to ratify decisions made. Both reports were approved by the respective boards.

Conclusions & Recommendations

1.	There appears to have been a quoracy issue when the commissioning framework was initially presented for approval to the WBSP. This has, however, since been addressed. Recommendations: <ul style="list-style-type: none">• None.
----	---

- 6.6 The following was alleged:

Not sufficient to claim that the intention of the JSB in respect of commissioning was clear. Minutes of meetings of 18/8/03 and 21/9/03 suggest members were ambivalent to the process.

- 6.6.1 In examining the minutes of these two meetings, a number of differing opinions were noted regarding the commissioning process. It is understood that the members of the board were from diverse backgrounds/organisations and there was some conflict of opinion between those favouring the project and those favouring the commissioning process.

Neighbourhood Renewal Fund Audit Report 2005/06

- 6.6.2 The commissioning process was discussed at each JSB meeting between February 2003 and March 2004 and at each commissioning executive meeting from January 2004 onwards. The draft framework for commissioning was presented to the JSB on 16 June 2003 and despite there being quoracy issues with this meeting (later resolved), the board approved the process.

Conclusions & Recommendations

1.	<p>Whilst some ambivalence may have been noted in members from the minutes of the JSB, the JSB did approve the commissioning approach.</p> <p>Recommendations:</p> <ul style="list-style-type: none">• None.
----	--

- 6.7 The following was alleged:

The 'test commission' recently advertised gives no indication of funds available, is funded entirely by NRF and does not focus on most deprived neighbourhoods and therefore not eligible. No value for the commission was established before tendering and therefore it is not clear whether OJEC rules apply or whether the council's procurement rules are satisfied.

No indicative allocation of funds set against proposed commissions and therefore may fall under the European tendering regulations.

The first commission for NRF has been awarded to a PR firm at £800,000 pa for two years – this should have complied with council's procurement rules. Having awarded the contract [REDACTED] is having a meeting with [REDACTED] which seems the wrong way round.

Commissioning report submitted to JSB on 20/10/03. On 12/06/03 [REDACTED] was advised by [REDACTED] that the OJEC values for contracting were around £154,000 for supplies and services.

The awarding of the Commission for the Economic Improvement and Improving the Image of Walsall test commission is questionable.

- 6.7.1 It is understood that when the test commission (improving the image of Walsall) was undertaken, no indicator value was included within the tendering package. The rationale was for prospective contractors to calculate their own with their tenders.
- 6.7.2 3 external consultancy firms were successfully short listed to attend before the commissioning executive of 2 April 2004. These companies included David Clarke Associates (DCA), WAA and Harrison Cowley. Each firm gave a presentation to the CE before the decision was made that DCA's bid at £750k per phase over 2 phases (£1.5m in total) was successful.

Neighbourhood Renewal Fund Audit Report 2005/06

- 6.7.3 Under both UK and EU law, local authorities are required to follow certain regulations including the placement of OJEU notices for part A services in the region of £153k, of which the test commission was one. It was discovered that the appointment of the contract to DCA would mean the council would be acting unlawfully so the awarding of the contract was put on hold and was never awarded. The commissioning executive was informed in subsequent meetings that this was due to legal / OJEU issues.
- 6.7.4 A letter is detailed on the commission file from the commissioning executive to [REDACTED], head of communications dated 23 February 2005, approving the 'research element' of the economic development commission for £50,000 for the 2004/05 financial year. Payments have been made to DCA totalling £56k for the 'economic development commission' for 'benchmarking, measurement and evaluation research programme. No approval could be identified, however, for this project from the minutes of commissioning executive.

Conclusions & Recommendations

1.	The commissioning executive tendered the test commission 'improving the image of Walsall', without fully adhering to the requirements of European procurement legislation. The contract was not awarded to the successful contractor on the basis of this.
2.	<p>It appears that the contractor has, however, been awarded work totalling £56k based on the 'research' element of their original tender, without minuted evidence of approval from the commissioning executive.</p> <p>Recommendations: <i>The commissioning executive are reminded to ensure that their actions are fully in compliant with contract procedure rules. This includes ensuring:-</i></p> <ul style="list-style-type: none">• <i>in accordance with CPR 16, the value of contracts is ascertained prior to commencing the tendering procedure;</i>• <i>that quotations or tenders are obtained as necessary in accordance with CPR 18 and 19 ; or where exemptions apply under CPR 17.</i> <p><i>Approval for the payments made to DCA should be sought as a matter of urgency.</i></p>

- 6.8 *Commissioning executive met on 2/04/04 received presentations from 3 short listed consultants. One member questioned how long the commission would last for and how much it was going to cost. Explained that consultants had not received a firm figure and the work would take place over the next two years. The Chair left after the presentations making the meeting inquorate.*

Neighbourhood Renewal Fund Audit Report 2005/06

- 6.8.1 At the meeting of the commissioning executive of 2 April 2004, the chair had cause to leave the meeting part way through. On leaving, the chair responsibility passed to [REDACTED]. The meeting was, however, inquorate after the chair left.
- 6.8.2 As part of the review of the WBSP, the head of programme management was commissioned to identify any queries resulting from attendance and records of decisions made at board meetings. As a result of this [REDACTED] acted to rectify the concerns raised by submitting reports to the WBSP on 5 July 2004 and the commissioning executive on 16 July 2004 to ratify decisions made. Both reports were approved by the respective boards.

Conclusions & Recommendations

1.	Quoracy appears to have been an issue at the meeting of 2 April 2004. This has since been addressed. Recommendations: <ul style="list-style-type: none">• None.
----	--

- 6.9 The following was alleged:

On 26/02/04 meeting with [REDACTED] to outline the commissioning process. Following the meeting concerns were raised via e-mail to [REDACTED], [REDACTED] and [REDACTED] regarding the process and the council's procurement regulations. No response was received.

- 6.9.1 It is unclear what the specific concerns were. Recommendations regarding procurement and compliance with the council's contract procedure rules are detailed at 6.1 and 6.7 of this report.

Conclusions & Recommendations

1.	Concerns have been identified regarding the commissioning process and its adherence to the council's contract procedure rules. These issues have been identified and associated recommendations made at 6.1 and 6.7 of this report. Recommendations: <ul style="list-style-type: none">• As 6.1 and 6.7.
----	---

- 6.10 The following was alleged:

E-mail on 4/3/04 from [REDACTED] regarding procurement forwarded to [REDACTED]. She wasn't prepared to meet the head of programme management to discuss.

- 6.10.1 A copy of the e-mail was not provided. [REDACTED] has now left the authority and was therefore unable to comment on her availability to meet with the head of programme management.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

Conclusions & Recommendations

1.	Unable to conclude. Recommendations: <ul style="list-style-type: none">• None.
----	---

6.11 The following was alleged:

The note of the meeting records that it was agreed that the majority were in favour of David Clarke Associates however it does not explicitly record that the contract should be offered to them.

6.11.1 The minutes of the commissioning executive of 2 April 2004 state that 'it was agreed that the majority were in favour of David Clarke Associates'. The minutes do not explicitly record that the contract should be offered to DCA. The contract was not subsequently awarded to DCA.

Conclusions & Recommendations

1.	The minutes of the 2 April 2004 do not explicitly record the action that the test commission contract should be offered to DCA. The contract was not subsequently awarded to DCA. Recommendations: <ul style="list-style-type: none">• When decisions regarding the awarding of commissions are made, minute takers should ensure that the specific action required following the decision is clearly minuted.
----	---

6.12 The following was alleged:

The role of [REDACTED], PCT in the commissioning process is not clear from the notes. Nor is it clear who was involved in the short listing of the 3 consultants.

6.12.1 This refers to the Improving the image of Walsall commission. A selection panel was set up to shortlist for this commission involving [REDACTED] (commissioning manager), [REDACTED] (head of communications) and [REDACTED] (head of communications - PCT) who had the expertise in this area. They met to look at applications to ensure they were matching the selection criteria and eventually selected 3 firms to submit presentations to the board. [REDACTED] had been responsible for placing the adverts for the commission and had been recorded as the contact point.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

Conclusions & Recommendations

1.	<p>It is clear who was involved in the short listing process. It is not clear, however, how the selection of the shortlist was compliant with contract procedure rule (CPR) 24 (assessment of tenders) or CPR 10 European community procedures, or whether [REDACTED] should have been involved in the process as a non Walsall council employee.</p> <p>Recommendations:</p> <ul style="list-style-type: none">• Officers should ensure that tender evaluation follows exactly the requirements set out in contract procedure rule 21,22,23,24 and 25.• Only officers of Walsall council should be involved in such processes until the position is clarified as per recommendation 5.13.
----	--

7. CAB Mental Health Project

7.1 The following was alleged:

CAB advised by e-mail that project successful. Then told after he had started work that the project had not been sent to JSB as decided commissioning way forward. CAB incurred £50,000 therefore had to pay.

Poor procedures and guillotining of existing procedures put a voluntary organisation at risk.

[REDACTED] refused to sign off the payment which has resulted in a row with the CAB and CAB making representation to [REDACTED]. Another example of poor process with NRF since no formal written notification went to CAB telling them about the situation.

7.1.1 On 1 May 2003 [REDACTED] (health and social care theme group leader) informed the chief executive (CAB) via e-mail that "I hope that you are aware that the bid for funding was successful and 2 years funding was agreed. Could you amend the bid to include a further years funding please. At present the next stage of approval for bids is unclear I will let you know asap when I find out what has to happen next, this is because the whole grant aid process is under review, ask [REDACTED] for details. I hope this is clear".

7.1.2 [REDACTED] informed [REDACTED] on 9 June 2003 that there had been no approval by the JSB for the project and that it was being held in abeyance until the partnership and the theme group make decisions on priorities for the strategic allocation of the NRF through commissioning. [REDACTED] correctly refused to sign off the payment because the funding had not been approved by the JSB.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

Conclusions & Recommendations

1.	The e-mail from [REDACTED] is not clear. While it states that the 'next stage of approvals is unclear', it also states that the 'bid for funding was successful and 2 years funding was agreed'.
2.	CAB appears to have been later informed that the funding had not been approved. Recommendations: <ul style="list-style-type: none">• <i>The process and responsibilities for informing grant/ commission applicants of the outcome of their funding bids should be clarified.</i>• <i>Grant / commission applicants should not be informed of any decision until the necessary approval has been obtained and such communication has been appropriately authorised.</i>• <i>Any communication with grant / commission applicants should make clear, the project, amount and financial period to which the communication relates.</i>

8. Independent Living Centre Project

8.1 The following was alleged:

The project proposal has very little detail and there is no option appraisal or risk assessment.

Independent Living Centre - meeting of 15/12/03 inquorate and project not ratified at the next meeting on 19/01/04.

No ratification of decision to fund Independent Living Centre at the next meeting of 19/01/04.

It was important that the project was approved as this would enable the project to be endorsed by the Economic Forum which would enable further european funding to be granted.

8.1.1 There was no project submission or grant agreement for the independent living centre project on the project file.

8.1.2 The meeting of 15 December 2003 was inquorate and decisions made were not ratified at the next meeting on 19 January 2004.

8.1.3 As part of the review of the WBSP, the head of programme management was commissioned to identify any queries resulting from attendance and records of decisions made at board meetings. As a result of this [REDACTED] acted to rectify the concerns raised by submitting reports to the WBSP on 5 July 2004 and the commissioning executive on 16 July 2004 to ratify decisions made. Both reports were approved by the respective boards.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

Conclusions & Recommendations

1.	Documentation in respect of the independent living centre project is not apparent on the project file.
2.	The project was initially subject to inquorate approval but this has since been addressed. Recommendations: <ul style="list-style-type: none">• <i>The independent living centre project file should be reviewed to ensure all necessary documentation is detailed on file.</i>

8.2 The following was alleged:

£325,000 was transferred at the request of [REDACTED] to the PCT in Feb 2004 without a building being identified or plan of works tendered or agreed. It would therefore not have been possible to defray this in less than a month.

On 24/05/04 PCT project officer confirmed that a site had still not been identified and that a purpose built building was being considered. Project officer was advised that this was significantly different and that no funds could be released until firm proposals were put forward.

On or around 12/02/04 the finance manager for programme management instructed [REDACTED] at the request of the WBSP to make a transfer of £325,000 from NRF to the PCT. At this time no site had been confirmed, no lease of purchase agreements entered into, no work specification drawn up, no proper costings, no project manager and no schedule of works. there was no likelihood that the funds could be spent by the PCT before 31.03.04. No grant agreement was issued prior to the transfer of funds.

8.2.1 The funding was issued to the PCT in February 2004 despite them not having identified a suitable building.

Conclusions & Recommendations

1.	The council appears to have awarded £325k to the PCT for a capital project which appears to have not been properly researched / appraised.
2.	The funding was awarded with a limited likelihood of it being defrayed before the end of the financial year. As such, it could have been subject to claw back. Recommendations: <ul style="list-style-type: none">• <i>On approving projects / commissions, the commissioning executive should ensure that projects have been thoroughly vetted, with all relevant information submitted, including the timeliness of potential defray of expenditure, to the Board before the decision to award funding is made.</i>

8.3 The following was alleged:

At a meeting on 5/3/04 concerns raised that the payment should not have been made and the head of programme management insisted that the money should be recovered.

8.3.1 Due to fact that a suitable building had not been identified and there was a strong likelihood that the funds would not be spent before 31 March 2004, a sundry debtor invoice was raised for £325,000 on 9 March 2004 which was paid by the PCT on 2 April 2004. The head of finance (regeneration and neighbourhood services) stated that he had given the instruction that the money should be recovered by raising a sundry debtor invoice.

8.3.2 Since then, in 2004/05 £285,114 was paid to Walsall PCT for the Independent Living Centre (ILC) project. £250k was identified as being claimable in 2004/05, however, as £285,114 was spent a further £30k was approved by the delegated signatories. The grant agreement for 2004/05 detailed £250k in section 1.1 (to aid the ILC project described in the project appraisal) but detailed a further £325k in sections 1.3, 1.4, and 3.1. This mistake appears to have been spotted by the PCT in an e-mail detailed on the project file. A review of the file indicated that complete proof of spend was not detailed.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

Conclusions & Recommendations

1.	The funds awarded to the PCT in respect of the Independent Living Centre (ILC) project were correctly recovered by the council.
2.	Exceptions have been noted in the award of NRF to the ILC project in 2004/05. Recommendations: <ul style="list-style-type: none">• Officers should ensure that grant agreements correctly detail the approved amount. A senior / independent review of all grant agreements produced would assist in this process.• Proof of spend should be identified for the ILC project 2004/05. Officers should further be reminded that adequate proof of spend is required for all projects.

8.4 The following was alleged:

The chair, as chief executive of the PCT did not declare an interest in the project.

8.4.1 At a JSB meeting on 15 December 2003 the Chair, [REDACTED] (PCT) did not declare an interest in the Independent Living Centre/Integrated Community Equipment Store.

Conclusions & Recommendations

1.	See conclusions and recommendations at 5.2. Recommendations: <ul style="list-style-type: none">• As 5.2.
----	---

9. Job Creation Initiatives Project

9.1 The following was alleged:

£100,000 allocated to the Job Creation Initiatives project could not be accounted for. Because of shortfalls in the social care & supported housing budget [REDACTED] instructed that the funds should be transferred to housing support to support the sheltered workshop. Strongly advised not to challenge this decision. A report justifying the expenditure has not been received.

Neighbourhood Renewal Fund Audit Report 2005/06

- 9.1.1 The head of finance (regeneration and neighbourhood services) stated that there was no shortfall within social care and supported housing and that this claim is completely false. He confirmed that he had prepared a report on this issue which demonstrated that funding had assisted the 17 members of staff who worked at the supported workshop in transferring them from an activity that was ceasing, into full time employment with links to work. This approach was agreed by [REDACTED] and [REDACTED]. The report had not been submitted to the head of programme management. The head of finance (regeneration and neighbourhood services) stated that he had not strongly advised the head of programme management not to challenge this decision.
- 9.1.2 Upon examining the Job Creation Initiatives project file, a copy of this report or the agreement with [REDACTED] and [REDACTED] was not found.

Conclusions & Recommendations

1.	<p>Funds for the job creations initiative project appear to have been used to support the sheltered workshop. No documentation was available on the project file to support this decision or whether the necessary approvals had been obtained.</p> <p>Recommendations:</p> <ul style="list-style-type: none">• <i>The job creations initiative project file should be updated to ensure it contains the necessary documentation, including the report produced by the head of finance.</i>• <i>Officers should ensure that the necessary approval for the transfer of funds within the job creation initiatives project has been obtained and ensure that adequate documentary evidence exists on file to support this.</i>
----	--

10. Skills Escalator Project

- 10.1 The following was alleged:

Skills Escalator - significant piece of work to which £600,000 has been allocated but very few details exist. The project appears to have changed from July 2003. £100,000 paid in advance but no evidence of expenditure provided. The JSB minutes of the meeting on 15.12.03 record that [REDACTED] had met with [REDACTED] and agreed a specification for [REDACTED] to develop' – it is not clear who [REDACTED] is or how she was appointed. Unclear how £250,000 for 2003/04 will be contracted.

Neighbourhood Renewal Fund Audit Report 2005/06

10.1.1 On 21 July 2003 the programme manager submitted a report to the JSB regarding the WBSP Skills Escalator. The report stated that it had been identified both in the sub-region and borough that a sharp escalation of the skills base would be a key factor in regenerating the economy, and as part of the WBSP commitment to raising skills, it would commission a 2½ year skills escalation programme. The WBSP would champion the programme and the programme manager/partnership director would commission relevant organisations to carry out the work, monitor and report on the programme. It was proposed that programme be funded by NRF up to a maximum of £100,000 in 2003/04 and £250,000 2004/05. The board agreed that NRF be used to fund this initiative for this financial year and the following two financial years.

10.1.2 On 22 September 2003 the programme manager submitted a report to the JSB stating that there were 3 elements of the skills escalation which need to be actioned immediately:

- Initial work on skills and knowledge development for partner officers;
- bringing in expertise to scope the full programme; and
- supporting the GOWM Regeneration Graduate Scheme.

The recommendation of the report was that the programme manager/partnership director initiate this work immediately. The minutes of the meeting record that “the chair requested that the partnership agree the £100,000 funding for the skills escalator project. This would also include some skills development work with individual members of support staff and the Community Empowerment Network”. It was minuted that “the board agreed the funding for the skills escalator”.

10.1.3 On 15 December 2003 the partnership director submitted a report to the JSB regarding the skills escalator which states that [REDACTED] who has previously been requested to consider the skills needs of the partnership had agreed to develop a skills development proposal for the partnership. The board accepted the report.

10.1.4 There was no project submission, grant agreement or further documentation on the project file for funding relating to 2004/05. There was no documentation regarding the role/appointment of [REDACTED].

10.1.5 £100k was paid to WBSP by journal transfer in 2003/04 but no proof of spend was obtained.

10.1.6 £64k was spent in 2004/05. This consisted of a payment of £24,734 to CSR partnership Ltd; £21,909 to New Deal; and £17,320 to the WBSP.

Conclusions & Recommendations

1.	The skills escalator project appears to have been brought before the board on a number of occasions, each time in a slightly different form.
2.	There was no project submission, grant agreement or further documentation on the project file for the project relating to 2004/05. There was no documentation regarding the role/appointment of [REDACTED].
3.	Proof of spend was not always available on the project file. Recommendations: <ul style="list-style-type: none">• <i>The skills escalator project file should be updated to ensure it contains the necessary project submission and grant agreement and then forwarded immediately to internal audit for review.</i>• <i>Evidence of spend should also be obtained and detailed on the project file.</i>• <i>The arrangements for the appointment of [REDACTED] should be identified to ensure compliance with the accountable body's procedures.</i>

11. Monopole Advertising Project

11.1 The following was alleged:

Activities paid for by NRF which do not improve delivery of mainstream service or tackle deprivation.

[REDACTED] took a proposal to the commissioning executive to fund an extra £12,000 for monopole advertising.

Additional funding approved by the commissioning executive on 5/03/04 however notes do not reflect this.

11.1.1 No funding was provided from NRF for the monopole advertising project.

11.2.1 The minutes of the board meeting state that 'RS outlines an opportunity to buy advertising/promotional space at Walsall Football club. Additional funding is required for design/sign-writing. The executive supported the opportunity in principal provided that all themes were used from a cross cutting perspective and that concerns over the impact on the monopole of the planned redevelopment of the FC were resolved'. The subsequent work to address the issues was not undertaken and therefore the monopole opportunity was not taken up.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

Conclusions & Recommendations

1.	No funding was provided from NRF for the monopole advertising project. Recommendations: <ul style="list-style-type: none">• None.
----	--

12. SERCO Projects

12.1 The following was alleged:

In 2003/2004 SERCO were paid in advance on all their projects. They have been asked to repay these funds but due to ineffective monitoring no offer to repay was made.

£290,000 for 2003/04 was allocated to education projects and paid in advance. The projects did not exist and the funds had to be reclaimed. The practice also appears to have been applied to 2001/02 and 2002/03 which went undetected.

£290,000 was paid to education without any agreement as to what it was for. Education complained that to clawback the full amount would present an adverse view of Education Walsall. They were asked to provide evidence as to how the NRF was spent but could only say that it went into the general standards fund and therefore displaced WMBC mainstream funding.

12.1.1 Of the four project files examined where funding had been provided to SERCO in 2003/04 it was found that a project submission form had not been completed in one case (C01). It was found that all had been paid in advance. In 2004/05, a proforma for the lifelong learning commission does not appear to have been completed.

12.1.2 From the sample of files examined, it was found that NRF allocated to SERCO projects were supported in 1 instance by an invoice from SERCO and in 3 instances via a journal transfer. No proof of spend was provided in any of the 4 cases.

Conclusions & Recommendations

1.	<p>There appears to have been an overall breakdown in control and monitoring of payments made to SERCO via NRF. The recommendations below should assist in improving the control environment.</p> <p>Recommendations:</p> <ul style="list-style-type: none">• <i>Project submission forms / commission pro-formas, as appropriate should be completed for all projects. A review of SERCO funded projects should be undertaken to ensure this is the case for all SERCO projects.</i>• <i>SERCO should be requested to provide the council with full evidence of spend for all NRF monies defrayed. This should show clearly how funds have met original project submission arrangements and targets.</i>• <i>The practice of paying SERCO in advance for funds should be immediately reviewed.</i>
----	---

12.2 The following was alleged:

The process has happened for the last 3 years, total £870,000. This would mean that false statement of use returns were made to GOWM in 2001/02 and 2002/03.

12.2.1 Due to a lack of project monitoring it is possible that the statement of use returns forwarded to GOWM did not accurately reflect the extent to which NRF funds were actually defrayed by SERCO.

Conclusions & Recommendations

1.	<p>Due to a lack of project monitoring, it is possible that the statement of use returns forwarded to GOWM in relation to SERCO funded projects may not be accurate.</p> <p>Recommendations:</p> <ul style="list-style-type: none">• <i>Officers should ensure that all projects are robustly and effectively monitored. This should assist with the accuracy of returns made to GOWM.</i>
----	--

12.3 The following was alleged:

An invoice was received from Serco on 7/05/04 for the final 2003/04 NRF payment, no supporting evidence or claim form was provided. The invoice exceeded the approved NRF grant by £1,000. [REDACTED], on 17/05/04 was requested to change the invoice. The invoice is still on hold.

Neighbourhood Renewal Fund Audit Report 2005/06

- 12.3.1 This issue has now been resolved. The principle officer, WBSP confirmed that the programme management officer involved had miscalculated the payment amount in error and when it was rechecked it was found the invoice was for the correct amount and has now been paid.

Conclusions & Recommendations

1.	This issue has since been resolved. Recommendations: <ul style="list-style-type: none">• None.
----	---

- 12.4 The following was alleged:

An invoice was received from SERCO on 19/05/04 for a payment of £125,000. The project was not recognised and no supporting evidence of the spend was provided. It was established that this project had been discussed by the Commissioning Executive at a meeting in January 2004 but no decision had been taken to approve any funds. The project was an exhibition of work by primary schools. It was found that the total spend to 9/08/04 was £30,000 and it was unclear why an invoice for £125,000 had been submitted. The invoice is still being held pending a resolution of this issue by the WBSP.

- 12.4.1 This has now been resolved. When the invoice was received it was found that there was no evidence of spend and the project had not actually been approved by the board. The commissioning executive on 10 September 2004 approved the funding, the principal officer, WBSP confirmed that evidence of spend had been provided by SERCO, and payment was made in full.

Conclusions & Recommendations

1.	This issue has since been resolved. Recommendations: <ul style="list-style-type: none">• None.
----	---

13. Walsall CVS Project

- 13.1 The following was alleged:

Walsall CVS were awarded a number of posts in relation to improving community participation some of which were appointed late.

Head of programme management was instructed by [REDACTED] to extend some of the posts (borough wide), which she agreed with [REDACTED], [REDACTED] and [REDACTED].

- 13.1.1 Funding was issued to Walsall CVS to fund a number of posts the late approval of which resulted in funding being carried over to 2004/05.

Neighbourhood Renewal Fund Audit Report 2005/06

13.1.2 [REDACTED] informed the head of programme management via e-mail on 1 March 2004 that posts of policy and strategy officer, theme leader and compact officer had been approved for continued funding until 31 March 2006 and that the funding had been agreed with delegated officers [REDACTED], [REDACTED] and [REDACTED]. There was not a copy of the delegated approval on the project file so it was not possible to determine whether this delegated approval had actually be given.

Conclusions & Recommendations

1.	<p>Approval for the extension to Walsall CVS posts funded by NRF appears to have been given under delegated approval. There was no copy of the delegated approval on the project file so it was not possible to determine whether this delegated approval had actually been given.</p> <p>Recommendations:</p> <ul style="list-style-type: none">• Where approvals are given in accordance with delegations sufficient evidence of this should be available on the project file.• The necessary approvals for the Walsall CVS posts should be obtained and detailed on the project file.
----	--

14. M6 Pilot Project

14.1 The following was alleged:

At performance management board (PMB) on 4/08/03, [REDACTED] submitted a report regarding the M6 Pilot Project. The project for £46,000 was approved on 14/10/ PMB and by JSB in October. [REDACTED] (Steps to Work) argued that he believed that £65,000 had been requested. The report recommended that due to another admin error the £19,000 should be honoured.

14.1.1 The project submission form (not signed or dated) detailed the cost of the project as £19,000 in 2002/03 and £27,315 in 2003/04 (total £46,315). The performance management board approved the sum of £19,000 and the project was approved by the JSB on 21.10.02. A grant agreement was issued in 2002/03 for £19,000. This was signed by [REDACTED].

14.1.2 A grant agreement was issued in 2003/04 for £27,300 and a further £70,000 was approved by the JSB on 18 August 2003 (total £97,300). Only £63,500 was spent during the year and the balance of £33,800 was carried forward to 2004/05.

14.1.3 The minutes of the programme board on 4 August 2003 state "The other outstanding project is the M6 Pilot Programme. The amount stated in the grant agreement was different to what had been agreed in the original bid. Again, the bid had been approved at the relevant stages". The board agreed that this project receive its relevant funding.

14.1.4 There was no evidence on the file to substantiate the allegation that £65,000 had been requested.

**Neighbourhood Renewal Fund
Audit Report 2005/06**

Conclusions & Recommendations

1.	<p>There was no evidence on the file to substantiate the allegation that £65,000 had been requested.</p> <p>There does, however, appear to be limited audit trail reconciling the amount of NRF approved, to the relevant grant agreements, to the actual expenditure defrayed.</p> <p><i>Recommendations:</i></p> <ul style="list-style-type: none">• <i>A review of the M6 pilot project should be undertaken to ensure a clear audit trail exists linking approved amounts to grant agreements; and evidence of expenditure defrayed.</i>
----	--

E. Recommendations

1. Recommendations have been included within the action plan attached to this report.
2. Having regard to the issues detailed within this report, the relevant executive director / assistant director should consider, in consultation with personnel services, whether disciplinary action may be necessary.

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

F. ACTION PLAN

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
1.2	***	Management should consider undertaking a complete file review of 2003/04 NRF projects to ensure that files clearly detail evidence of how NRF funded projects benefit priority neighbourhoods / floor or local targets set out in the local neighbourhood renewal strategy. Where discrepancies are identified, project managers should be asked to source the relevant supporting documentation and place clearly on file. Project Officers should be reminded to ensure that such supporting documentation is present on all currently funded projects and commissions.	Complete file review of 2003/04, 2004/05 and 2005/06 to be undertaken.	Principal partnership officer / assistant programme manager January 2006
1.2	***	Project submission forms should be identified for the projects cited in 1.2.2 and placed on the relevant project file.	Complete file review of 2003/04 files to be undertaken.	Principal partnership officer / assistant programme manager January 2006
1.2	***	The 6 project submission forms cited in 1.2.2 should be forwarded to the applicant for signing before being placed on the relevant project file.	Complete file review of 2003/04 files to be undertaken.	Principal partnership officer / assistant programme manager January 2006

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
1.2	***	Management should consider undertaking a complete file review of all commissions funded in 2004/05 to ensure that a completed commissioning pro-forma is detailed on each commission file. A review should include the project cited in 1.2.3. Project officers should further be reminded to ensure that a completed commissioning pro-forma is detailed on each currently funded project file	Complete file review of 2004/05 files undertaken.	Principal partnership officer / assistant programme manager Implemented
1.2	***	A complete file review of 'non commissioned' project files in 2004/05 should be considered to ensure that completed pro-formas are detailed on all non 'commissioned project' files. This review should include those projects cited in 1.2.4. Project officers should further be reminded to ensure that a completed pro-forma is detailed on all currently funded 'non commissioned' files.	Complete file review of 2004/05 files undertaken.	Principal partnership officer / assistant programme manager Implemented
1.5	***	The WBSP has benefited from the minute taking expertise of officers from constitutional services. The commissioning executive should consider utilising the services of constitutional services for the production of their minutes.	As part of the suggested commissioning executive governance review, the use of constitutional services will be considered. Minutes have been tightened up considerably, with reports, minutes, approval letters, grant / commissioning agreements all refer to the same information for clarity.	Principal partnership officer/chair of commissioning executive Implemented

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
1.5	***	Although improvements have been noted, it would be prudent for minute takers to be reminded to ensure that any documentation presented to either the WBSP or the commissioning executive is clearly referenced within the appropriate minutes.	Minute takers have been reminded and minutes have been tightened up considerably, with reports, minutes, approval letters, grant / commissioning agreements all referring to the same information for clarity. As part of the suggested commissioning executive governance review, the use of constitutional services will be considered.	Principal partnership officer / chair of commissioning executive Implemented
1.6	***	Officers should be reminded to ensure that where work / consultancy is commissioned by either the WBSP or the commissioning executive, that the findings of this work should be presented and discussed in full.	A programme of agenda items is kept (currently by the principal partnership officer), including standing agenda items, and follow up on actions are reported back to the commissioning executive at the appropriate time.	Principal partnership officer Implemented
1.6	***	Officers may consider undertaking an evaluation exercise at the end of each commission of consultancy work to ascertain the value of the work together with any learning points for future.	An independent review of commissioning and commissions is being developed with IDeA.	Principal partnership officer / assistant programme manager February 2006

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
1.7	***	Officers should be reminded to ensure that the appropriate approval has been obtained before NRF commission / grant recipients are informed of their award of NRF	Adequate evidence of approval is now detailed within the minutes. An approval letter is issued to each recipient, detailing how much, for which financial year, and what the reporting requirements are, after approval has been obtained.	Principal partnership officer / chair of commissioning executive Implemented
1.8	***	Consideration should be given to providing a standard entry on the commissioning pro-forma and pro-forma for non commissioned NRF funded projects, to ensure that projects submitted for approval are not already subject to existing funding (to prevent duplicate funding); or existing regeneration activity. The council should extend this recommendation to all council funding regimes to ensure that there is a specific requirement to check for duplicate funding.	Agreed.	Principal partnership officer Implemented
2.2	***	Officers should ensure that evidence of the appropriate approval (for example, the minutes of the relevant commissioning executive) should be clearly documented on project files, including those cited in 2.2.2.	Complete file review of 2003/04, 2004/05 and 2005/06 to be undertaken.	Principal partnership officer / assistant programme manager January 2006

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
2.2	***	Officers should be reminded that only the NRF amount approved should be awarded. Payments in excess of the amount approved should only be made with sufficient prior approval.	Additional amounts required are reported to the commissioning executive, either via the finance report, performance of commissions report, or a separate report for approval as necessary to the level of additional funding required.	Principal partnership officer / head of finance (regeneration & neighbourhood services) Implemented
2.2	***	Officers should further be reminded that minuted approval should include the project name, amount awarded and financial year(s) to which this award relates	Adequate evidence of approval is now detailed within the minutes. An approval letter is issued to each recipient, detailing how much, for which financial year, and what the reporting requirements are after approval has been obtained.	Principal partnership officer / chair of commissioning executive Implemented
2.2	***	Approval for the amount of NRF awarded to the improving employability in Walsall project should be clarified. Should retrospective approval be required, the opportunity for this should be pursued.	Investigation to be undertaken.	Principal partnership officer / assistant programme manager January 2006

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
2.2	***	The wider issue of approval of NRF projects / commissions should be considered as part of a recommended review of the overall governance arrangements of the partnership and their associated groups. Under current arrangements, the WBSP or the commissioning executive have no delegated powers to approve NRF spend. Officers of the council, as representatives of the accountable body, only, have such delegations. A review of governance arrangements should therefore seek to ensure that payments are authorised in accordance with an appropriate scheme of council delegation.	A comprehensive review of the corporate governance arrangements of the WBSP/commissioning executive will be carried out. This will resolve any areas of uncertainty in terms of the current arrangements as well as to facilitate the implementation of the local area agreement.	Head of finance (regeneration & neighbourhood services) / WBSP director March 2006
3.1	***	Grant agreements should be sourced and detailed on the project files of those 2003/04 projects referenced in 3.1.1. Also, where possible and for completeness, signatures should be sought on the grant agreements referenced in 3.1.1.	Complete file review of 2003/04 files to be undertaken.	Principal partnership officer / assistant programme manager January 2006
3.1	***	The revised grant agreement form should include the date of the signatures of the grant recipients and the council to ensure evidence is available of the timeliness of the agreement.	Agreed.	Principal partnership officer / assistant programme manager Implemented

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
3.1	***	Where commissions are £100k or over, officers should ensure that all relevant sections of the grant agreement are completed and actioned including those referenced in 3.1.2.	This appears to be a “hangover” from the fact that the NRF grant agreements are based on SRB agreements. This procedure is not necessary and will be stopped.	Head of finance (regeneration & neighbourhood services) March 2006
3.1	***	Where grant agreements have been amended, each amendment must be signed and dated by all parties to the agreement. Dependent on the number of amendments, consideration should be given to issuing a revised grant agreement.	Agreed.	Assistant programme manager Implemented
3.2	***	Where additional amounts are approved to the original NRF approval, officers should be reminded that either a revised grant agreement form or a variation to the original grant agreement should be issued. Revised grant agreements / variations should also be subject to the same authorisations / approvals as grant agreements themselves.	Agreed.	Assistant programme manager Implemented
3.2	***	In light of the recommendation above, a check of all projects currently funded back to their original grant agreements should be undertaken and revised grant agreements / variations to the original grant agreement issued where required. This should include the projects referenced in 3.2.1.	Complete review of 2004/05 files to be undertaken.	Principal partnership officer / assistant programme manager Implemented

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
4.2	***	Robust and regular monitoring arrangements of project outcomes/ targets / spends should be completed. This should include evidence that the project has met / is targeted to meet the outcomes agreed at project approval, including those relating to floor targets and tackling deprivation. Evidence of such monitoring should be clearly recorded on project files.	<p>This recommendation is perhaps best answered with reference to the Audit Commissions review of the governance arrangements of the WBSP, which stated that:</p> <p><i>The commissioning executive receives updates at each of its monthly meetings on progress with commissions in addition to finance reports on NRF spend. The finance reports are also presented to the WBSP Partnership Board. The head of finance for the council's regeneration and neighbourhood services directorate has taken the lead on preparing the finance reports, and the quality of these reports has improved considerably:</i></p> <ul style="list-style-type: none"> • <i>Each project or commission is clearly shown, with named lead officers</i> • <i>the format is very clear, and includes colour flags to highlight the overall financial 'health' of each project</i> • <i>actual and projected spend is shown, with any projected under/over spend highlighted</i> 	<p>Principal partnership officer</p> <p>Implemented</p>

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

			<ul style="list-style-type: none"> • <i>The covering reports are concise and clear, and highlight the key issues and risks</i> <p>The commissioning executive receives regular performance of commissions report detailing whether milestones / targets are being met, which is risk assessed, and a financial report. The WBSP Board receives quarterly reports on where Walsall's position is regarding floor targets.</p> <p>Programme management ensure that robust evidence is produced by recipients regarding claims. Including provision of monthly / quarterly monitoring reports. Site visits have also been programmed in.</p> <p>A dedicated NRF programme officer has been employed.</p> <p>The financial support to NRF (and ultimately the LAA) is being strengthened even further with the recruitment of an accounting technician.</p>	
--	--	--	--	--

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
4.2	***	Where monitoring reveals that a grant recipient has failed / is in danger of failing to meet agreed outcomes, then a procedure should be drafted detailing actions / reporting requirements in the event of a projects failure to deliver.	<p>This recommendation is perhaps best answered with reference to the Audit Commissions review of the governance arrangements of the WBSP, which stated that:</p> <p><i>The commissioning executive receives updates at each of its monthly meetings on progress with commissions in addition to finance reports on NRF spend. The finance reports are also presented to the WBSP Partnership Board. The head of finance for the council's regeneration and neighbourhood services directorate has taken the lead on preparing the finance reports, and the quality of these reports has improved considerably:</i></p> <ul style="list-style-type: none"> • <i>Each project or commission is clearly shown, with named lead officers</i> • <i>the format is very clear, and includes colour flags to highlight the overall financial 'health' of each project</i> • <i>actual and projected spend is shown, with any projected</i> 	<p>Principal partnership officer</p> <p>Implemented</p>

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

			<p style="text-align: center;"><i>under/over spend highlighted</i></p> <ul style="list-style-type: none"> • <i>The covering reports are concise and clear, and highlight the key issues and risks</i> <p>The commissioning executive receives regular performance of commissions report detailing whether milestones / targets are being met, which is risk assessed, and a financial report. The WBSP Board receives quarterly reports on where Walsall's position is regarding floor targets. Programme management ensure that robust evidence is produced by recipients regarding claims. Including provision of monthly / quarterly monitoring reports. Site visits have also been programmed in. A dedicated NRF programme officer has been employed. The financial support to NRF (and ultimately the LAA) is being strengthened even further with the recruitment of an accounting technician.</p>	
4.2	***	A review of projects cited in 4.2.1 should be undertaken to ensure that sufficient evidence of NRF spend has been obtained and that duplicate evidence has not been accepted to support evidence of spend.	Investigations to take place.	Principal partnership officer / assistant programme manager February 2006

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
4.2	***	Officers should be reminded that all project correspondence should be date stamped.	Agreed.	Assistant programme manager Implemented
4.2	***	The overpayments to SERCO and neighbourhood management detailed in 4.2.2. should be addressed and recovered as a matter of urgency.	This is being investigated currently.	Head of finance (regeneration & neighbourhood services) January 2006
4.2	***	Officers should ensure that grant recipients complete claim forms for all funding requested.	Claim forms have been made more robust, including the supporting evidence.	Assistant programme manager Implemented
4.2	***	VAT arrangements require immediate clarification.	Agreed.	Head of finance (regeneration & neighbourhood services) March 2006
4.2	***	The practice of raising cheques and holding them should be ceased. Cheques should not be returned to originators as this represents a control risk. Such events should only be in exceptional / emergency circumstances. This issue has been the subject of previous internal and external audit reports, regarding programme management (including SRB audit report 2003/04).	Agreed.	Programme management team / finance support Implemented

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
4.2	***	<p>The anomalies identified in the improving employability in Walsall project should be investigated and resolved.</p> <p>Officers should be reminded to ensure consistency between figures quoted in finance reports, grant agreements and amounts subsequently paid out in respect of projects. Where variances exist a clear audit trail, documenting the necessary approvals should exist.</p>	<p>Investigation to be undertaken.</p> <p>Agreed.</p>	<p>Principal partnership officer / assistant programme manager</p> <p>January 2006</p> <p>Principal partnership officer / assistant programme manager</p> <p>Implemented</p>
4.2	***	<p>The difference between the compact officer project amount included on the finance report and that included on the project file should be investigated and resolved.</p>	<p>Investigation to take place.</p>	<p>Principal partnership officer / assistant programme manager</p> <p>January 2006</p>
4.2	***	<p>The monitoring visit form should be updated to include the signature and date of the officer undertaking the visit.</p>	<p>Agreed.</p>	<p>Principal partnership officer / assistant programme manager</p> <p>Implemented</p>

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
4.2	***	As unspent NRF can be subject to claw back by GOWM, care should be taken with the commissioning approach to ensure that projects / commissions are approved in sufficient time to enable sufficient project expenditure to be defrayed within the financial year.	<p>One of the key requirements of the commissioning approach is the ability of the project to deliver within the timeframe of a financial year. This is rigorously monitored during the course of the year and each finance report highlights the risk of not spending the total allocation in year. As a “back-up” a sub-group of the executive meet to re-allocate funding to other commissions where underspends are forecast.</p> <p>It should be noted that GOWM allow a 5% carry forward, and the carry-forward from 04/05 was well within this limit, which is particularly pertinent given that the carry forward was in excess of £1m in the previous year.</p>	<p>Head of finance (regeneration & neighbourhood services)</p> <p>Implemented</p>
4.7	***	Procedure notes should be produced regarding the financial and performance management arrangements of NRF project administration. Once complete, these should be issued to all relevant officers who should sign for their receipt.	Agreed.	<p>Principal partnership officer / assistant programme manager / head of finance (regeneration & neighbourhood services)</p> <p>Implemented</p>

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
5.2	***	The procedure for declaration of interests of members of the commissioning executive and LSP; when decisions regarding the use of NRF funds are made, should be clarified with constitutional services to ensure that sound governance arrangements exist. This should form part of the overall review of governance recommended previously in this report.	To be undertaken as part of governance review.	Head of finance (regeneration & neighbourhood services) / WBSP director March 2006
5.3	***	Minute takers should be reminded that care should be taken in providing concise and accurate minutes of meetings of the LSP to ensure there is little scope for alternative interpretation of a comment.	As part of the suggested commissioning executive governance review, the use of constitutional services will be considered. Minutes have been tightened up considerably, with reports, minutes, approval letters, grant / commissioning agreements all refer to the same information for clarity. Draft minutes are overseen by the chair, commissioning executive, and WBSP director. These are then agreed at the next meeting.	Principal partnership officer / chair of commissioning executive Implemented

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
5.6	***	A quorate membership should always be present when the minutes of the previous meeting are being formally approved. To assist this process the agenda item of the approval of the previous meeting minutes should be brought forward to one of the first items of business.	This is now the case for both the WBSP board and the commissioning executive. Quoracy is checked at the start of the meeting.	WBSP director / minute taker / chair of commissioning executive Implemented
5.7	***	Where a meeting becomes inquorate, minute takers should be reminded to notify the meeting as such and record this in the minutes.	This is agreed. To ensure that decisions are taken in accordance with established constitutional arrangements, minute takers notify the meeting if / when a meeting becomes inquorate. To be reinforced as part of the governance review.	Principal partnership officer / chair of commissioning executive Implemented Head of finance (regeneration & neighbourhood services) / WBSP director March 2006
5.8	***	The membership of the WBSP should be clarified at the start of each meeting. Where substitutes are allowed and appointed, these should be determined in advance and included within the terms of reference / constitutional arrangements of the WBSP.	Membership is clarified at the start of each meeting. Nominated substitutes have been made for the commissioning executive. Nominated substitutes for the WBSP board are being sought.	WBSP director February 2006

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
5.8	***	A review of the minutes of meetings attended by ██████ in which she substituted for ██████, while acting in her capacity as interim civic commissioning manager, should be reviewed to confirm the validity of the decisions made.	A letter confirming these arrangements has been signed by ██████ and ██████.	WBSP director Implemented
5.9	***	The WBSP should continue to ensure that it holds its AGM in accordance with its constitution.	Agreed. To be undertaken as part of governance review.	Head of finance (regeneration & neighbourhood services) / WBSP director March 2006
5.10	***	Officers should be reminded to ensure that the board are fully aware of any associated consequences / implications of all proposed actions.	Reports detail consequences / implications of proposed actions.	WBSP director Implemented

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
5.13	***	Where decisions are made based on delegated approval, they should be documented as such on project / commission files. These decisions should also be reported back for information to the next available meeting of the commissioning executive / WBSP as appropriate to ensure complete transparency / accountability.	<p>A comprehensive review of the corporate governance arrangements of the WBSP/commissioning executive will be carried out. This will resolve any areas of uncertainty in terms of the current arrangements as well as to facilitate the implementation of the local area agreement.</p> <p>Letters of approval, detailing how much and for which financial year, are issued to recipients. Letters are from the WBSP director, and signed by four commissioning executive officers with delegated authority. Copies of these letters are placed on file, and grant / commissioning agreements issued.</p> <p>A standing agenda item is now reported to the commissioning executive of any delegated authority decisions taken.</p> <p>A standing agenda for the WBSP board detailing decisions taken by the commissioning executive.</p>	<p>Head of finance (regeneration & neighbourhood services) / WBSP director</p> <p>March 2006</p> <p>Principal partnership officer / chair of commissioning executive</p> <p>Implemented</p>

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
5.13	***	Legal services should be asked to undertake a review of the legality of the granting of delegated authority for NRF spend to non council employees. This should form part of the overall review of governance arrangements recommended at 2.2.4 of this report.	A comprehensive review of the corporate governance arrangements of the WBSP/commissioning executive will be carried out. This will resolve any areas of uncertainty in terms of the current arrangements as well as to facilitate the implementation of the local area agreement.	Head of finance (regeneration & neighbourhood services) / WBSP director March 2006
5.16	***	Officers should ensure that all reports submitted for the board's attention, clearly state the projects to which they refer.	Agenda items and report titles are now identical.	Principal partnership officer / partnership support manager / WBSP director Implemented
5.16	***	Officers should ensure that appropriate approval has been obtained and is detailed on all project files prior to funding being awarded.	Adequate evidence of approval is now detailed within the minutes. An approval letter is issued to each recipient, detailing how much, for which financial year, and what the reporting requirements are after approval has been obtained.	Principal partnership officer / chair of commissioning executive Implemented

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
5.16	***	Care should be taken to ensure that the value of NRF awarded is consistent across grant applications; approvals and agreements. Any anomalies should be immediately investigated and corrective action taken where necessary.	<p>Approval is detailed within the minutes. An approval letter is issued to each recipient, detailing how much, for which financial year, and what the reporting requirements are.</p> <p>Additional amounts required are reported to the commissioning executive, either via the finance report, performance of commissions report, or a separate report, as necessary to level of additional funding required.</p> <p>Letters of approval, detailing how much and for which financial year, are issued to recipients. Letters are from the WBSP director, and signed by four commissioning executive officers with delegated authority. Copies of these letters are placed on file, and grant / commissioning agreements issued.</p> <p>A standing agenda item is now reported to the commissioning executive of any delegated authority decisions taken.</p> <p>A standing agenda for the WBSP board detailing decisions taken by the commissioning executive.</p>	Principal partnership officer / chair of commissioning executive implemented

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
5.16	***	Officers should ensure that grant agreements have been appropriately signed before payments are made to grant recipients.	Agreed.	Assistant programme manager / head of neighbourhood partnerships & programmes / head of finance (regeneration & neighbourhood services) Implemented
6.1	***	The commissioning framework requires review and update. This review should immediately clarify the term 'commissioning' making the distinction between commissioning as a 'grant' and as 'a procurement exercise' absolutely clear. It is recommended that legal services assist in this respect.	To be undertaken as part of the overall governance review.	Head of finance (regeneration & neighbourhood services) / WBSP director March 2006
6.1	***	The review of commissioning should ensure that commissioning executive has adequate arrangements in place to ensure compliance with the council's contract and financial procedure rules and European procurement requirements.	Agreed. This will be reinforced as part of the overall governance review.	Principal partnership officer Implemented Head of finance (regeneration & neighbourhood services) / WBSP director March 2006

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
6.1	***	To be prudent, it is also recommended that a full review of the legal arrangements for the WBSP and associated groups is undertaken.	To be undertaken as part of the overall governance review.	Head of finance (regeneration & neighbourhood services) / WBSP director March 2006
6.2	***	Management should request recipient commission lead organisations to document a formal exit strategy, detailing financial sustainability at the end of the project.	Commissioning pro-formas and any request for funding requires details of any exit strategy.	Principal partnership officer Implemented
6.7	***	<p>The commissioning executive is reminded to ensure that their actions are fully in compliant with contract procedure rules. This includes ensuring:-</p> <ul style="list-style-type: none"> • in accordance with CPR 16, that the value of contracts is ascertained prior to commencing the tendering procedure; • that quotations or tenders are obtained as necessary in accordance with CPR 18 and 19 ; or where exemptions apply under CPR 17. <p>Approval for the payments made to DCA should be sought as a matter of urgency.</p>	<p>Agreed.</p> <p>This will be reinforced as part of the overall governance review.</p> <p>To be presented to the commissioning executive for approval.</p>	<p>Principal partnership officer</p> <p>Implemented</p> <p>Head of finance (regeneration & neighbourhood services) / WBSP director</p> <p>March 2006</p> <p>Principal partnership officer / head of finance (regeneration & neighbourhood services)</p> <p>January 2006</p>

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
6.11	***	When decisions regarding the awarding of commissions are made, minute takers should ensure that the specific action required following the decision is clearly minuted.	<p>As part of the suggested commissioning executive governance review, the use of constitutional services will be considered.</p> <p>Minutes have been tightened up considerably, with reports, minutes, approval letters, grant / commissioning agreements all refer to the same information for clarity.</p> <p>Adequate evidence of approval is now detailed within the minutes. An approval letter is issued to each recipient, detailing how much, for which financial year, and what the reporting requirements are, after approval has been obtained.</p>	<p>Principal partnership officer / chair of commissioning executive</p> <p>Implemented</p>
6.12	***	Officers should ensure that tender evaluation follows exactly the requirements set out in contract procedure rule 21,22,23,24 and 25.	<p>Agreed.</p> <p>This will be reinforced as part of the overall governance review.</p>	<p>Principal partnership officer</p> <p>Implemented</p> <p>Head of finance (regeneration & neighbourhood services) / WBSP director</p> <p>March 2006</p>

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
6.12	***	Only officers of Walsall MBC should be involved in such processes until the position is clarified as per recommendation 5.13.	Agreed. to be included as part of the overall governance review.	Head of finance (regeneration & neighbourhood services) / WBSP director March 2006
7.1	***	The process and responsibilities for informing grant/ commission applicants of the outcome of their funding bids should be clarified.	Adequate evidence of approval is now detailed within the minutes. An approval letter is issued to each recipient, detailing how much, for which financial year, and what the reporting requirements are, after approval has been obtained.	Principal partnership officer / chair of commissioning executive Implemented
7.1	***	Grant / commission applicants should not be informed of any decision until the necessary approval has been obtained and such communication has been appropriately authorised.	Adequate evidence of approval is now detailed within the minutes. An approval letter is issued to each recipient, detailing how much, for which financial year, and what the reporting requirements are, after approval has been obtained.	Principal partnership officer / chair of commissioning executive Implemented
7.1	***	Any communication with grant / commission applicants should make clear, the project, amount and financial period to which the communication relates.	Adequate evidence of approval is now detailed within the minutes. An approval letter is issued to each recipient, detailing how much, for which financial year, and what the reporting requirements are, after approval has been obtained.	Principal partnership officer / chair of commissioning executive Implemented

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
8.1	***	The independent living centre project file should be reviewed to ensure all necessary documentation is detailed on file.	Review to take place.	Principal partnership officer / assistant programme manager January 2006
8.2	***	On approving projects / commissions, the commissioning executive should ensure that projects have been thoroughly vetted, with all relevant information submitted, including the timeliness of potential defray of expenditure, to the Board before the decision to award funding is made.	Commissioning pro-formas or detailed reports are submitted to the commissioning executive. Queries regarding the deliverability of commissions are brought back to following meetings before any award is made.	Principal partnership officer Implemented
8.3	***	Officers should ensure that grant agreements correctly detail the approved amount. A senior / independent review of all grant agreements produced would assist in this process.	The head of finance will conduct a regular review of a representative sample of grant agreements and ensure that they correspond to the approved amount as agreed by the commissioning executive.	Head of finance (regeneration & neighbourhood services) Implemented
8.3	***	Proof of spend should be identified for the ILC project 2004/05. Officers should further be reminded that adequate proof of spend is required for all projects.	Review of ILC to take place. All claims for funding are now required to supply robust evidence of spend.	Principal partnership officer / assistant programme manager January 2006

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
9.1	***	The job creations initiative project file should be updated to ensure it contains the necessary documentation, including the report produced by the head of finance.	Agreed – copy of report given to programme management to put on the file.	Head of finance (regeneration & neighbourhood services) Implemented
9.1	***	Officers should ensure that the necessary approval for the transfer of funds within the job creation initiatives project has been obtained and ensure that adequate documentary evidence exists on file to support this.	This will require retrospective approval as the use of delegated powers has not been recorded and the two officers who approved the decision are no longer employed by the council.	Head of finance (regeneration & neighbourhood services) January 2006
10.1	***	The skills escalator project file should be updated to ensure it contains the necessary project submission and grant agreement and then forwarded immediately to internal audit for review.	Complete review of 2003/04 files to be undertaken.	Principal partnership officer (JL) / assistant programme manager January 2006
10.1	***	Evidence of spend should also be obtained and detailed on the project file.	Complete review of 2003/04 files to be undertaken.	Principal partnership officer / assistant programme manager January 2006

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
10.1	***	The arrangements for the appointment of [REDACTED] should be identified to ensure compliant with the accountable body's procedures.	Complete review of 2003/04 files to be undertaken.	Principal partnership officer / assistant programme manager January 2006
12.1	***	Project submission forms / commission proformas, as appropriate should be completed for all projects. A review of SERCO funded projects should be undertaken to ensure this is the case for all SERCO projects.	Complete review of 2003/04, 2004/05 and 2005/06 files to be undertaken.	Principal partnership officer / assistant programme manager January 2006
12.1	***	SERCO should be requested to provide the council with full evidence of spend for all NRF monies defrayed. This should show clearly how funds have met original project submission arrangements and targets.	This has already been requested, as has a profile of spend for the current financial year.	Head of finance (regeneration & neighbourhood services) Implemented

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
12.1	***	The practice of paying SERCO in advance for funds should be immediately reviewed.	<p>This facility will only be used in particular circumstances e.g. where the organisation is unable to provide sufficient cash to facilitate expenditure. The recent payment to SERCO of £1.2m for the Learning Commission was one such example and has only been processed after due consideration and approval from the Executive Committee (formerly the Commissioning Executive), along with a formal written request to ensure that:</p> <ul style="list-style-type: none"> • Actual spending is in line with the submitted profile • Robust and sufficient evidence of spend is submitted asap after payment • All evidence of spend along with appropriate analysis is submitted by 28 April 2006. 	<p>Head of finance (regeneration & neighbourhood services)</p> <p>Implemented</p>

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
12.2	***	Officers should ensure that all projects are robustly and effectively monitored. This should assist with the accuracy of returns made to GOWM.	<p>This recommendation is perhaps best answered with reference to the Audit Commissions review of the governance arrangements of the WBSP, which stated that:</p> <p><i>The commissioning executive receives updates at each of its monthly meetings on progress with commissions in addition to finance reports on NRF spend. The finance reports are also presented to the WBSP Partnership Board. The head of finance for the council's regeneration and neighbourhood services directorate has taken the lead on preparing the finance reports, and the quality of these reports has improved considerably:</i></p> <ul style="list-style-type: none"> • <i>Each project or commission is clearly shown, with named lead officers</i> • <i>the format is very clear, and includes colour flags to highlight the overall financial 'health' of each project</i> • <i>actual and projected spend is shown, with any projected</i> 	<p>Principal partnership officer</p> <p>Implemented</p>

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

			<p style="text-align: center;"><i>under/over spend highlighted</i></p> <ul style="list-style-type: none"> • <i>The covering reports are concise and clear, and highlight the key issues and risks</i> <p>The commissioning executive receives regular performance of commissions report detailing whether milestones / targets are being met, which is risk assessed, and a financial report. The WBSP Board receives quarterly reports on where Walsall's position is regarding floor targets.</p> <p>Programme management ensure that robust evidence is produced by recipients regarding claims. Including provision of monthly / quarterly monitoring reports. Site visits have also been programmed in.</p> <p>A dedicated NRF programme officer has been employed.</p> <p>The financial support to NRF (and ultimately the LAA) is being strengthened even further with the recruitment of an accounting technician.</p>	
--	--	--	---	--

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
13.1	***	Where approvals are given in accordance with delegations sufficient evidence of this should be available on the project file.	<p>A comprehensive review of the corporate governance arrangements of the WBSP/commissioning executive will be carried out. This will resolve any areas of uncertainty in terms of the current arrangements as well as to facilitate the implementation of the local area agreement.</p> <p>Letters of approval, detailing how much and for which financial year, are issued to recipients. Letters are from the WBSP director, and signed by four commissioning executive officers with delegated authority. Copies of these letters are placed on file, and grant / commissioning agreements issued.</p> <p>A standing agenda item is now reported to the commissioning executive of any delegated authority decisions taken.</p> <p>A standing agenda for the WBSP board detailing decisions taken by the commissioning executive.</p>	<p>Head of finance (regeneration & neighbourhood services) / WBSP director</p> <p>March 2006</p> <p>Principal partnership officer / chair of commissioning executive</p> <p>Implemented</p>

**Neighbourhood Renewal Fund
AUDIT OPINION AND ACTION PLAN**

Report Ref	Priority	Recommended Action	Response	Responsibility & Timescale
13.1	***	The necessary approvals for the Walsall CVS posts should be obtained and detailed on the project file.	Complete review of 2003/04 files to be undertaken.	Principal partnership officer / assistant programme manager January 2006
14.1	***	A review of the M6 pilot project should be undertaken to ensure a clear audit trail exists linking approved amounts to grant agreements; and evidence of expenditure defrayed.	Complete review of 2003/04 files to be undertaken.	Principal partnership officer / assistant programme manager January 2006

Walsall Metropolitan Borough Council
Internal Audit Service

**Neighbourhood Renewal Fund – Special
Investigation**

Audit Report 2002 / 2003

CONTENTS

- A. INTRODUCTION**
- B. WORK UNDERTAKEN**
- C. FINDINGS**
- D. CONCLUSIONS & RECOMMENDATIONS**

A. Introduction

1. On 7 August 2002, the Chief Internal Auditor was informed by ■■■, Head of Finance, that she had received concerns from ■■■, Crime Reduction Partnership Manager and Theme Leader for the Crime and Disorder Theme of the NRF fund; regarding the management of Neighbourhood Renewal Funds (NRF).
2. ■■■ attended an interview with Internal Audit Officers on 8 August 2002, where he outlined the following concerns regarding: -
 - the way in which NRF funding was being used by the Council;
 - the professionalism and effectiveness of the NRF Co-ordinator in managing the NRF funds;
 - the way in which the NRF funds and budget were being accounted for; and
 - the Local Strategic Partnership's (LSP) perception of the Council's use and management of NRF funds
3. As the above identified a number of concerns, it was deemed appropriate for Internal Audit Officers to carry out an investigation into the management and use of NRF funds.
4. A number of recommendations have resulted from the investigation. An Action Plan, detailing the recommendations made, has been included at the end of this report. Recommendations have been prioritised as high (***) , medium (**) or low (*).

B. Work Undertaken

1. For the purpose of this investigation interviews have been held with a number of officers involved in the NRF project.
2. Relevant guidance from the Department of Transport, Local Government and the Regions (DTLR) has also been reviewed as part of this enquiry.

C. Findings

1. Background

1.1 The following extract taken from DTLR guidance, provides a background of the Government's intention regarding NRF under the Local Government Finance Act 1988 ('the 1988 Act'): -

'The Neighbourhood Renewal Fund (NRF) aims to enable the 88 most deprived authorities to improve services, narrowing the gap between the deprived areas and the rest of the Country. The NRF can be spent in any way that will tackle deprivation in the most deprived neighbourhoods, particularly, but not exclusively, in relation to floor targets. It is strongly desirable that where service quality is at risk or requires improvement, funding should be devoted to mainstream services, such as schools, providing that the funding benefits the most deprived areas'.

(Source: <http://www.dtlr.gov.uk/neighbourhood/fund/index.htm>).

1.2 For Walsall MBC, the following NRF allocation was agreed over the 3 year period of the programme: -

	NRF Allocation 2001/02 (£m)	NRF Allocation 2002/03 (£m)	NRF Allocation 2003/04 (£m)	NRF Total Over 3 years (£m)
Walsall MBC	3.56	5.341	7.122	16.023

1.3 The DTLR has set 5 'floor targets' for tackling deprivation. The NRF can be spent in any way that will tackle deprivation in the most deprived neighbourhoods, particularly, but not exclusively, in relation to floor targets. Floor targets are detailed in the following table: -

Theme	Floor Target
Education	To increase the percentage of pupils obtaining 5 or more GCSEs at grades A* to C, to at least 38% in every LEA by 2004.
Work & Enterprise	To ensure an increase in the employment rates of the 30 local authority districts with the poorest initial labour market position. It will ensure a reduction in the difference between employment rates in these areas and the overall rates.
Crime	To reduce the level of crime, so that by 2005, no local authority area has a domestic burglary rate more than 3 times the national average while at the same time reducing the national rate by 25%.
Health & Inequalities	By 2010, to reduce at least by 10% the gap between 20% of areas with the lowest life expectancy at birth and the population as a whole. To reduce at least by 60% in 2010, the conception rate among the under 18's in the worst 20% of wards, thereby reducing the level of inequality between these areas and the average by at least 26% by 2010.
Housing & the Physical Environment	All social housing will be of a decent standard by 2010 with the number of families living in non-decent social housing falling by 33% by 2004.

(Source: <http://www.local-regions.opdm.gov.uk/lsp/guidance>).

1.4 In Walsall MBC, the management and administration of NRF is structured around 5 main themes which broadly encompass the national 'floor' targets above. Each theme has a thematic leader, who supports the NRF Co-ordinator, [REDACTED]. The current themes and thematic leaders are as follows: -

- Raising Education Standards – [REDACTED], Lifelong Learning Manager.
- Creating Job Opportunities – [REDACTED], Chamber of Commerce.
- Crime & Disorder Reduction – [REDACTED], Crime Reduction Partnership Manager.
- Reducing Health Inequalities – [REDACTED] / [REDACTED] / [REDACTED], Walsall Health Authority.
- Promoting Social Inclusion and Equality (including Voluntary Sector Development) – [REDACTED], Voluntary Sector.

(Source: Neighbourhood Renewal Fund 2002/03 : Walsall Borough Strategic Partnership)

1.5 The NRF Co-ordinator is also supported by [REDACTED], Resource Planning Manager, Financial Services.

1.6 A condition for receipt of NRF funds in 2002/03 and 2003/04 is that Local Authorities agree a strategy for neighbourhood renewal, encompassing the Government's 5 floor targets, with local strategic partners. Walsall Borough Strategic Partnership (WBSP) was set up in an inaugural meeting of 15 October 2001, to fulfil this requirement.

1.7 WBSF includes representatives from the Council, Health Service, Police, Employment Service / Benefits Agency, Voluntary and Business Sector, Higher and Further Education, Ethnic Minority; Faith; and Disabled Person's Group Representatives, Trades Council and District Community Representation.

2. Interviews

2.1 Interview with [REDACTED], Crime Reduction Partnership Manager

2.1.1 [REDACTED] was interviewed by Internal Audit Officers on 8 August 2002. The key points of the interview are detailed below: -

- [REDACTED] expressed concern that an under spend of approximately £50k on his 2001/2002 Crime & Community Safety budget, had 'gone missing' from the 2002/03 budget. He believed that this under spend should have been carried forward in order 'to develop further projects'.
- [REDACTED] was concerned that the Community Safety budget was being used to fund projects, which were 'against the concept of community safety'. For example, in funding 3 litter pickers as 'Town Centre Rangers' and the NACRO Motor Project. [REDACTED] had challenged such projects with [REDACTED] and [REDACTED], but had been told that these projects would stand.
- [REDACTED] expressed concern in the professionalism and 'approach' of [REDACTED], NRF Co-ordinator, since he believed that [REDACTED] did not have the 'skills, abilities and experience to embrace this role'.
- [REDACTED] said that the partnership were suspicious about the management of NRF by the Council.
- [REDACTED] stated that the Council must provide a complete evaluation of how NRF has been used to tackle floor targets. He expressed concern as to how this could be achieved when much of the NRF funding has been used to fund mainstream projects. [REDACTED] stated that although he had completed an evaluation of his theme for this purpose, he would have difficulty providing a financial justification, when he believed money had gone missing from his budget.
- [REDACTED] stated that [REDACTED] and [REDACTED] were to see the political leaders on Friday (9 August 2002) in order to 'come clean', regarding NRF.
- [REDACTED] believed, via reference from others, that when NRF monies were received by the Council, [REDACTED], the former Chief Executive; and [REDACTED], the political leader at that time, decided where NRF funds were to be allocated.

2.1.2 [REDACTED] was requested by Internal Audit to sign a copy of the notes of the interview of 8 August 2002, in accordance with standard Internal Audit practice. [REDACTED] did not, however, submit a signed copy of the notes but chose to detail his amendments to the interview transcript in a report to [REDACTED], Assistant Chief Executive dated 9 September 2002.

2.1.3 [REDACTED]'s report, detailing his amended interview script, was received by Internal Audit on 2 October 2002. [REDACTED]'s report reasserted the following: -

- His concern regarding 'the integrity of the administration of NRF'.
- His opinion that the 'management arrangements of the project left much to be desired'.
- 'Disquiet amongst partners regarding the Council's allocation and administration of NRF'.

2.1.4 [REDACTED] expressed concern in signing the interview notes of 8 August 2002, which he believed were 'out of context and in need of significant amendment and clarification'. A review of

██████'s amendments, however, identified no material misstatement between the original interview notes of 8 August 2002, and ██████'s subsequent revisions.

2.2 Interview with ██████, Neighbourhood Renewal Officer

2.2.1 ██████ was interviewed by Internal Audit Officers on 9 August 2002. The key points of the interview are detailed below: -

- ██████ stated that he 'had no officer to report to', and that his 'line management had always been unclear'.
- ██████ felt there was no need to report progress on the management of NRF funds to Committee as progress reports were already presented to meetings of the LSP.
- When asked to provide evidence of the reports provided to the LSP, ██████ stated that he usually gave a 'verbal progress report', as the LSP do not request written reporting.
- ██████ believed the use of NRF for mainstream funding followed guidance given by Government Office.
- ██████ stated that projects funded by NRF had been agreed by ██████ and ██████, before ██████ came to post.
- Regarding the LSP's perception of the Council's use of NRF for mainstream funding; ██████ stated that partners generally did not understand the term 'mainstream funding'. He believed that this has led to several problems and misunderstandings at the LSP.
- ██████ could provide no evidence of his actions regarding his monitoring role of NRF funds. He stated that he 'could only send e-mails' and 'remind officers of the information required'. With regard to financial monitoring of the NRF, ██████ stated that ██████ 'kept an eye on the financial aspect' of the Fund.
- ██████ said the Statement of Use submitted in October 2001 was a joint effort between himself and ██████.
- ██████ expressed concern regarding NRF. He believed there would be difficulty in completing the Statement of Use this year; and in reporting NRF spend. He said this was because Service Areas had 'not entered into the spirit of the arrangement'.
- ██████ informed that he spent 3 days per week working on NRF, and the remaining 2 days of the week working for New Deal. He stated that he was also heavily involved in the Pleck / Alumwell Residents / Tenants Association and Local Committee work at Goscote.

2.2.2 A copy of the notes of the interview held on 9 August 2002 were forwarded to ██████ on 9 September 2002. ██████ has yet to submit a signed copy of the interview notes.

2.3 Interview with ██████, Resource Planning Manager

2.3.1 ██████, Resource Planning Manager, was interviewed by Internal Audit Officers on 8 August 2002. The key points of the interview are detailed below: -

- ██████ stated that the 2001/02 financial year, saw an overall cut in allocation in funding from Central Government. Spending pressures meant that mainstream funding would not be enough to achieve a balanced budget. As a result it was decided that of £3.56 million NRF funds allocated to Walsall, £2.75 million would be used to fund mainstream programmes.
- ██████ believed the decision to use NRF to support mainstream funding was one taken by ██████, the former Chief Executive. ██████ believed that ██████ had consulted the Council's partners prior to making this decision.

- [REDACTED] believed the Council's actions were in line with Government guidance. He stated that the Council, as the accountable body for NRF, could use NRF to fund mainstream services in the first year of the grant, as long as agreement was sought from partners. He stated that this arrangement is more concrete for 2002/03, where NRF spending programmes require formal approval by the LSP.
- [REDACTED] stated that [REDACTED] used a 'highlighter pen' and went through mainstream projects he saw as being 100% NRF funded, and those that could be proportionately funded via NRF and mainstream means.
- [REDACTED] stated that he had approached Service Areas with [REDACTED], to secure their approval in funding ordinary mainstream projects out of NRF funds. He stated that a proforma was used, based on the current practice with SRB. Service Areas could either accept the NRF funding for elements of their Service or suffer a budget cut.
- [REDACTED] believed that it was [REDACTED] who agreed that [REDACTED] should be moved to the role of NRF Co-ordinator, remaining on his current General Manager salary.
- [REDACTED] stated that he completed the Statement of Use required by Government Office West Midlands on 30 October 2001, although he was surprised that he had been given this task. [REDACTED] also expressed concern that the Statement of Use for October 2002 may not be completed.
- With regard to the £50k, which [REDACTED] alleges was missing from his Community Safety budget; [REDACTED] stated that the £50k had gone back into 'mainstream funding'. The total under spend for 2001/02, will be considered by the LSP when approving the 2002/03 NRF spend. This money was intended to fund 2 supporting posts. It was envisaged that these posts would be secondments from within the Council; hence the budget for these posts would come from the secondments' originating service area.
- [REDACTED] stated that the NRF funds were aimed to transform and improve services. He expressed concern that at the end of the year, service areas receiving NRF funds would not be able to 'flag what they had achieved' as a result of receiving the funds.
- [REDACTED] said theme leaders 'lacked direction'. He exemplified this in that it was unclear who the theme leader for social inclusion was. He also commented that there appeared to be no monitoring of NRF outputs, no pulling together of milestones achieved and no matching of these to NRF aims.
- [REDACTED] expressed concern that insufficient NRF progress reports on performance were being presented to Committee.
- [REDACTED] saw his role in NRF as providing financial support and advice only.
- [REDACTED] saw the role of NRF Co-ordinator as monitoring and assessing the performance of NRF objectives, supporting NRF theme leaders and producing progress reports for members and partners.

2.4. Interview with [REDACTED], Head of Finance

2.4.1 [REDACTED], Head of Finance, was interviewed by Internal Audit Officers on 8 August 2002. The key points of the interview are detailed below: -

- [REDACTED] expressed concern regarding the management environment under which NRF has been / is being operated. She believed that [REDACTED] had certain development needs.
- [REDACTED] stated that [REDACTED]'s substantive role in NRF was to provide financial support and advice; to which he had 'gone the extra mile beyond his original remit in good faith'.
- [REDACTED] 'did not feel it financially prudent to underpin mainstream budget with NRF funds, to such an extent'. She stated that NRF was 'a new targeted grant, but it was not tightly ring fenced'. She stated that the guidance from the Government regarding NRF 'was not entirely clear'.

- ██████ stated that the £2.7 million of NRF funds used to support mainstream services in 2001/02, was in effect the 'balancing figure' of funds needed to set the annual General Fund Budget.
- With regard to the Government's intention to use NRF to 'transform services', ██████ stated that it was 'unrealistic to think that transformation would happen' in all services supported by NRF, 'particularly with weak project management arrangements'.

2.5 Interviews with Thematic Leaders

2.5.1 Interviews were held with the following thematic leaders: -

- ██████, Resource Planning Manager.
- ██████, Urban Regeneration Manager.
- ██████, Principal Local Policies Officer.
- ██████, Lifelong Learning Manager.

2.5.2 The following points were identified during interviews: -

Theme Leader	Key points
██████	<ul style="list-style-type: none"> • ██████ stated that revenue budgets were to be transferred into the NRF. The result was a budget balancing process. • ██████ attended initial meetings where funding was allocated based on ██████'s proposals. • ██████ stated that the budget cuts were seen as imperative and little thought was given to how funds would benefit deprived communities. The NRF is meant to provide support for the most needy neighbourhoods, but how they have been specifically targeted during year 1, is questionable. • ██████ never saw a job description, or terms of reference regarding the post of theme leader and as such never accepted the role. • ██████ questioned ██████'s experience in managing regeneration programmes. He believes someone is needed with a strategic head with some grant management and monitoring experience. • In comparing NRF to New Deal or SRB ██████ stated that there was no comparison. There is little independent scrutiny or appraisal of NRF projects and little robustness or openness.

Theme Leader	Key points
<p>██████</p>	<ul style="list-style-type: none"> • ██████ believed that year 1 NRF funding allocation was very much a 'fait accompli', by the time she became involved. • ██████ stated that the main element of NRF was the replacement of original mainstream funding, but there was also an element of NRF funds available for new projects. • ██████ believed there is currently an overall lack of strategic direction and management of NRF. The LSP's late accreditation is symptomatic of this. • ██████ believed the LSP is suspicious of the Council as a result of late accreditation, bad OFSTED and SSI reports, which has tended to compound the amount of scrutiny the Council has received. • ██████ appears to be a strong chair of the LSP. ██████ stated that the Council has much to do to re-organise itself and be clear how it engages with the LSP.
<p>██████</p>	<ul style="list-style-type: none"> • ██████ commented that much of the work that ██████ is involved with, impacts upon the work of the Community Development Unit. ██████ expressed concern that ██████ has no line management and that ██████ had no input into ██████'s work concerning the Community Development Unit. • ██████ stated that ██████ monitored his NRF work, generally by reviewing the budget. Meetings were however, not minuted. • ██████ stated that the LSP has approved all the funding that has gone in year 1. They are only interested in approving new monies now. All projects from year 1 that were carried forward to years 2 and 3 are already, therefore, approved. • LSP accreditation was late, because officers were not notified of the requirement until late on in the process. • ██████ stated that NRF has been used instead of mainstream funding. It should have been used to develop other projects and provide extra services. Floor targets will be hit, but he had doubt that transformation of services will occur. • ██████ said the LSP has spent a lot of time determining their terms of reference and membership; now that they have addressed this, they are beginning to question the Council's use of NRF funds. • ██████ is often unobtainable and spends a tremendous amount of time in meetings. • NRF needs a lead officer and an accountant. Someone is required to take a lead and form a strategy.

Theme Leader	Key points
<p>██████</p>	<ul style="list-style-type: none"> • ██████ stated that there is a certain amount of pressure and conflict within the LSP regarding the Council's use of the funds. She stated that as Walsall MBC is the accountable body, it is the Council's financial systems, which need to be adhered to. • ██████ commented that there were many types of meeting held, some merely giving feedback on others. • ██████ believed that there is only so much innovation that can be put into the system. If NRF funds had been used to fund only new projects from day 1, there would have been lots of 'warm and woolly projects', with no measurable impact. She believed that 'we have to challenge the way we do things now for a longer term benefit'. • There is some comment on the LSP regarding the Council using the NRF to underpin their mainstream budget, but at the end of the period of NRF, it will be the Council who have to 'pick up the tab', so it should be the Council as the accountable body who have a say in how the funds are managed.

2.6 Interview Summaries

2.6.1 The following can be summarised from the interviews:-

Use of NRF Funding

- In 2001/02, £2.75 million of the total £3.56 million NRF funds allocated, was used by the Council to support mainstream budget. The remaining £0.81 million of NRF was used to support new projects.
- The decision to use NRF to support mainstream funding appeared to be one made by ██████, the Former Chief Executive.
- Opinion on whether this was a correct use of NRF was divided. Some officers interviewed, believed the Council's use of NRF was in accordance with Government guidelines. Others believed that using NRF to replace / support existing mainstream budgets was in effect a 'budget balancing' process or a means of financing 'the Council's debts'.

Management of NRF Funding

- Officers expressed concern regarding the management environment under which NRF operated and in particular the experience and approach of the NRF Co-ordinator in managing the project.
- The NRF Co-ordinator could provide no evidence of his monitoring and controlling role.
- It was identified that the NRF Co-ordinator spent only 3 days per week on NRF work and was employed at New Deal for the remaining 2 days as Land & Property Co-ordinator. The charge for this is reimbursed to the NRF.

Accounting for NRF Funding

- Concern was expressed by ██████ regarding the lack of carry forward of a £50k under spend from his budget.
- It appears that this money had not 'gone missing' but had been allocated back into mainstream funding.

LSP

- There appeared to be some agreement from officers interviewed, that there was an element of suspicion from the LSP on the Council's use of NRF for mainstream funding. This was due to a 'lack of understanding of Council terminology such as mainstream funding'; the Council's reputation after critical OFSTED and SSI reports; and the lateness in the Council's securing accreditation for the LSP.

3. Government Guidance on the Use of NRF Funding

- 3.1 DTLR guidance states that NRF is a 'non ring fenced grant' which can be used to support services not only provided by the Local Authority, but also by organisations that are members of the LSP. Further, 'A New Commitment to Neighbourhood Renewal – National Strategy Action Plan' states that to achieve 'necessary improvements', service providers can reallocate resources in their mainstream programmes to tackle deprivation better.
- 3.2 Guidance states that it is both 'acceptable and strongly desirable' to use NRF funds in this way. The Council's use of £2.7 million of £3.56 million NRF allocation in 2001/02, to fund mainstream programmes, therefore, appears to be in line with Government Guidance, providing it can be demonstrated that deprivation has been tackled.
- 3.3 In 2001/02 Authorities were required to provide a statement of use by 31 October 2001, setting out how NRF money has been spent. This statement was completed by ██████ in 2001/2002; but there appears to have been no arrangements made for submission in 2002/03.
- 3.4 The only proviso the Government places on Authorities in the use of NRF is that 'secretariat functions and servicing Committees, which underpin the activity of the LSP, including providing papers for meetings, monitoring research work, co-ordinating partnership activities; require approval of the Secretary of State if NRF funding is to be used'. It is understood that £40k of the Policy & Urban Regeneration Unit budget, which is funded from NRF, is allocated to WBS (Walsall Borough Strategic Partnership) Administration Charges. This is clearly a breach of Government guidelines.

4. Government Guidance on LSP

- 4.1 In the first year of NRF funding, no formal condition was placed on Local Authorities to consult emerging strategic partnerships or other local partners in deciding how NRF funds are spent. Guidance stated that it would, however, be desirable to consult these parties where possible to avoid any substantial change of focus in second and third years. There appears to be no formal evidence of consultation with partners in 2001/02, although evidence from interviews suggests that some informal consultation took place between ██████ and key partners. This would appear to be in line with Government expectations.
- 4.2 The Government do, however, place a requirement for LSP's to go through an annual accreditation process. On 28 February 2002, it was reported by Lord Falconer to Parliament, that 87 out of the 88 authorities receiving NRF funding, had achieved accreditation. Walsall MBC was the only authority whose LSP did not achieve accreditation by that date, although it was subsequently achieved in June 2002.
- 4.3 The Government also require that LSP's secure accreditation in 2002/03 and 2003/04: -

'receipt of NRF funding for the following year (2003/2004) will again take place on the basis of an accreditation process. Government Officers and LSP's will assess their progress in the light of their 2002/03 assessment, action plans, and stakeholder input, and against the criteria'.

4.4 Further, for 2002/03 and 2003/04 the Authority must agree a Local Neighbourhood Renewal Strategy with the Local Strategic Partnership, including plans to spend NRF, by April 2002. Due to the late accreditation of the LSP, it is understood that the strategy, which is being led by the PCT (Primary Care Trust), is still 'work in progress'.

5. Management of NRF Funding

5.1 The job description of [REDACTED] as Neighbourhood Renewal Officer states 'this post has been created for one year to establish the necessary arrangements for the ongoing development, implementation and monitoring of the programme'. It was agreed by Policy & Resources Committee of 20 February 2002, at the request of [REDACTED] that this arrangement continues until March 2004.

5.2 [REDACTED]'s job description lists 'appraise projects, organise monitoring meetings, ensure meetings are minuted and monitor returns submitted, contribute to statement of use and to the development of a Neighbourhood Renewal Strategy' as the main activities of the post. Whilst [REDACTED] stated in his interview that these tasks were carried out, documentary evidence could not be provided.

5.3 [REDACTED]'s employment as NRF Co-ordinator, on a gross salary of £[REDACTED], was approved by the Policy & Resources Committee of 21 March 2001.

5.4 [REDACTED]'s employment history at Walsall MBC is as follows: -

- [REDACTED] commenced employment with the Authority on 17 October 1991, as Assistant Director of Property Services on Senior Chief Officer's Scale £[REDACTED] to £[REDACTED].
- The post of Assistant Director of Property Services was deleted with effect from 1 November 1997 and [REDACTED] was reassigned to the post of Service Co-ordinator, Land & Asset Resources on spinal column point 56-59.
- The post of Service Co-ordinator, Land & Asset Resources was deleted on the recommendation of the Service Review Committee, 28 February 2000, however, the Policy & Resources Committee of 28 June 2000 resolved to extend [REDACTED]'s contract until the 31 March 2001.
- Policy & Resources Committee 21 March 2001, were subsequently asked to approve [REDACTED]'s appointment to the post of NRF Co-ordinator, remaining on spinal column point 59 until 1 April 2002.
- Policy & Resources Committee 20 February 2002 approved the continuity of [REDACTED] as NRF Co-ordinator until March 2004.

5.5 The Council's Personnel Guidance Manual Section 5, Protection of Earnings, states: -

'Every effort will be made to ensure that redeployment is to a post with pay and conditions of service which are as close as possible to that which the redeployee enjoyed in his / her previous post. Where this is not possible earnings will be protected for a period of 12 months from the date of first redeployment'.

It would appear that [REDACTED] has remained on a General / Service Manager's spinal column point whilst undertaking a Co-ordinator's role, for a period in excess of 12 months.

6. Reporting to Committee

6.1 A total of 4 reports, detailing the Council's approach to NRF were presented to Policy & Resources Committee ('P&R'), by the former Chief Executive, on 15 November 2000, 9 January 2001, 28 February 2001 and 29 February 2002. The following was detailed at each Committee: -

- 15 November 2000 - the aims of NRF and the implications for Walsall Borough.
- 9 January 2001 – Committee are asked to endorse an 'enlarged' strategic alliance as the Local Strategic Partnership.
- 28 February 2001 – Actions regarding NRF since the last meeting were discussed and a draft programme presented.
- 20 February 2002 – Committee were asked to note the arrangements for agreeing 'new money' with the LSP, and to agree the continuation of ██████ as NRF Co-ordinator until March 2004.

6.2 Whilst Committee have been informed of the Council's progress with NRF, the use of £2.75 million of NRF funds to support mainstream projects appears to be alluded to in reports, but is not transparently clear, for example 'NRF funds 'should add value to existing mainstream activity' (P&R 28/2/01).

7. Sample Projects

7.1 A sample of 3 NRF Project Submission Forms from 2001/02 was reviewed to identify how the Government's floor targets and deprivation in general, were addressed. The following table details the results.

NRF Project Submission	Funding £ (per annum)	Project Outcomes
<u>Creating Attractive Residential Areas</u> Winter Maintenance (safe use of highways in adverse weather conditions)	£360k of NRF used to replace mainstream funding.	Fewer accidents, less damage to the highway and associated Council assets.
Payment to Contractor for Weed Control (to control weed growth on public highway).	£202k of NRF used to replace mainstream funding.	More aesthetically pleasing environment.
<u>Creating Attractive Residential Areas</u> Refuse Collection	£200k of NRF used to replace mainstream funding.	Education resulting in a reduction of the amount of waste available for collection.
Grounds & Street Cleansing	£200k of NRF used to replace mainstream funding.	More aesthetically pleasing environment.
Highways Maintenance	£200k of NRF used to replace mainstream funding.	Free up budget for more essential repairs.

NRF Project Submission	Funding £ (per annum)	Project Outcomes
<u>SAFE: Walsall Motor Access Project</u> Contribution to running costs of the SAFE Motor Access Project.	£3k of NRF funding towards total annual contribution from mainstream of £30k per annum.	Recruitment of further volunteers, reduction of vehicle crime in Walsall.

7.2 From the above table, it is difficult to identify how far expenditure on for example, winter maintenance, grounds and street cleansing and highways maintenance, do target deprivation and / or the Government's floor targets. This may be an area where the Council could be challenged in justifying its use of NRF funds.

D. Conclusions & Recommendations

1. The following can be concluded from the findings of this investigation-

- The Council used £2.75 million of a £3.56 million NRF funding allocation to support mainstream funding. This appeared to be a decision made by ██████, the former Chief Executive.
- The Council was faced with an extremely challenging financial position at the time NRF was allocated, hence the use of NRF to fund mainstream programmes allowed the Council to achieve a balanced budget at that time.
- The Government have informed that NRF is a 3 year grant, and that 'it is not possible to say whether NRF will continue beyond 2004/05, it will be dependent upon future cross-cutting spending reviews'. As a result, the use of NRF to support mainstream projects to this extent, is arguably financially imprudent in the longer term.
- The professionalism and effectiveness of the NRF Co-ordinator in managing NRF funds on a part time basis is questionable. Officers interviewed appeared to share a lack of confidence in the NRF Co-ordinator's ability.
- ██████'s initial concern regarding the carry forward of his budget under spend appears to be unfounded as no irregularity was identified in the accounting of NRF.
- There appears to be concern regarding the Local Strategic Partnership's (LSP) opinion of the Council's use and management of NRF funds. Whilst, the Council's use of funds broadly appears to be in line with Government guidance, the LSP's suspicions do not appear to be entirely misguided, in that there is some difficulty matching the outcome of certain projects to the Government's 5 floor targets for deprivation.

2. The following is recommended: -

- A performance management approach should be adopted in the management and administration of NRF. This should include the setting of clear strategies and milestones and review of set outcomes. Meetings regarding NRF should be clearly minuted and agreed; and terms of reference set. Further the roles and responsibilities of theme leaders should be clearly documented and disseminated to them.
- Controls surrounding the use of NRF monies in for example, the allocation of new NRF monies should be based on the Council's approach to other grant funded regimes. For example, consideration should be given to applying the robust and tested systems used for SRB and ERDF to NRF projects.
- Performance management should also be applied to mainstream projects, which are funded via NRF. This should involve setting clear links between project outcomes; and

the Government's Floor Targets and 'tackling deprivation'. Where clear links cannot be established, use of NRF for such purposes should be questioned.

- Necessary approval should be sought from Government Office West Midlands for £40k of NRF being used to fund secretariat functions of the LSP from the Policy & Urban Regeneration Unit budget.
- New projects in 2002/03 should be presented for approval at the LSP.
- A review should be undertaken of resources allocated for the management and administration of NRF. For example, consideration should be given to whether the post of NRF Co-ordinator requires a full time officer. Further, the salary of the current post holder may require review via benchmarking with other Authorities' scale grading of this post.
- A senior line manager should be identified for the reporting purposes of the NRF Co-ordinator.
- The training and development needs of the NRF Co-ordinator should be identified and necessary action taken to resolve any skills gaps.
- Further training should be offered on Council's financial terminology and budgetary control systems to thematic leaders. A session could also be offered to the LSP, to attempt to resolve any confusion on the Council's role as accountable body for the funds.
- Responsibility should be assigned to ensure the co-ordination and completion of the Council's annual statement of use; the accreditation of the LSP in 2002/03 and 2003/04; and the Local Neighbourhood Renewal Strategy.
- Greater transparency, clarity and regularity should be considered in officers' reporting of NRF matters to Committee and Members in general.
- Finally, the Council needs to prepare with some urgency, to assess the impact of mainstream projects funded by NRF at the end of the 3-year period of the grant. This should include an analysis of whether services will effectively have 'transformed', hence no longer require funding; or whether alternative sources of funding will need to be identified or alternative budget savings determined.

Neighbourhood Renewal Fund Investigation
Audit Report 2002/2003
ACTION PLAN

ACTION PLAN					
Ref	Priority	Recommendation	Response	Officer Responsible	Timescale
1	***	A performance management approach should be adopted in the management and administration of NRF. This should include the setting of clear strategies and milestones and review of set outcomes. Meetings regarding NRF should be clearly minuted and agreed; and terms of reference set. Further the roles and responsibilities of theme leaders should be clearly documented and disseminated to them.	Agreed. This work is in progress. Discussions are underway with Chair of WBSP regarding new management arrangements. Specific assistance in the form of an experienced secondee from Wolverhampton BC / GOWM agreed in principle. Briefing for theme leaders / chairs on roles & responsibilities	Director / Chair of WBSP Director Chair of WBSP	By 03/03 In post 02/03 01/03
2	***	Controls surrounding the use of NRF monies in for example, the allocation of new NRF monies should be based on the Council's approach to other grant funded regimes. For example, consideration should be given to applying the robust and tested systems used for SRB and ERDF to NRF projects.	Agreed See (1) Role of SRB in assisting with NRF management is under discussion but a systems / procedures audit of SRB is required before final decision is taken.	Director / Chair of WBSP / Chair of SRB Partnership	By 04/03
3	***	Performance management should also be applied to mainstream projects, which are funded via NRF. This should involve setting clear links between project outcomes; and the Government's Floor Targets and 'tackling deprivation'. Where clear links cannot be established, use of NRF for such purposes should be questioned.	Ageeed Work is in progress. Report to Joint Strategy Board (WBSP) and Cabinet	██████	02/03

Neighbourhood Renewal Fund Investigation
Audit Report 2002/2003
ACTION PLAN

ACTION PLAN					
Ref	Priority	Recommendation	Response	Officer Responsible	Timescale
4	***	Necessary approval should be sought from Government Office West Midlands for £40k of NRF being used to fund secretariat functions of the LSP from the Policy & Urban Regeneration Unit budget.	GOWM approved 'in principle' the use of NRF to resource the LSPs Secretariat costs in years 1-3 subject to setting out the actual costs and indicating how the p/ship will resource the secretariat after yr 3.	██████	03/03
5	***	New projects in 2002/03 should be presented for approval at the LSP.	Implemented. All new bids for funding are reported to WBSP Programme Board prior to decision by Joint Strategy Board	██████	12/02
6	***	A review should be undertaken of resources allocated for the management and administration of NRF. For example, consideration should be given to whether the post of NRF Co-ordinator requires a full time officer. Further, the salary of the current post holder may require review via benchmarking with other Authorities' scale grading of this post.	Agreed. The review is to be incorporated into a wider review of Regeneration staffing structures being undertaken by	Director / ██████ (Personnel) & ██████ (consultant)	04-06/03
7	***	A senior line manager should be identified for the reporting purposes of the NRF Co-ordinator.	Implemented ██████ fulfilling this role in the interim pending the review of staffing structures	Director/ ██████	03/03
8	***	The training and development needs of the NRF Co-ordinator should be identified and necessary action taken to resolve any skills gaps.	Partially Agreed The issue will be reviewed as part of the review of staffing structures	Director / ██████ (Personnel) & ██████ (consultant)	04-06/03
9	***	Further training should be offered on Council's financial terminology and budgetary control systems to thematic leaders. A session could also be offered to the LSP, to attempt to resolve any confusion on the Council's role as Accountable Body for the funds.	Agreed Training sessions to be organised Council's role as Accountable Body is the subject of a further report SLA being developed	██████ ██████ Director	01/03 04/03 04/03

Neighbourhood Renewal Fund Investigation
 Audit Report 2002/2003
ACTION PLAN

ACTION PLAN

Ref	Priority	Recommendation	Response	Officer Responsible	Timescale
10	***	Responsibility should be assigned to ensure the co-ordination and completion of the Council's annual statement of use; the accreditation of the LSP in 2002/03 and 2003/04; and the Local Neighbourhood Renewal Strategy.	Implemented: Statement of Use submitted to GOWM LSP Accreditation action plan & self assessment submitted. LSP accredited LNRS submitted to GOWM	██████ ██████ ██████	11/02 12/02 11/02
11	***	Greater transparency, clarity and regularity should be considered in officers' reporting of NRF matters to Committee and Members in general.	Agreed Key reports to JS Board of WBSP also to be reported to Cabinet	██████ / ██████	02/03
12	***	Finally, the Council needs to prepare with some urgency, to assess the impact of mainstream projects funded by NRF at the end of the 3-year period of the grant. This should include an analysis of whether services will effectively have 'transformed', hence no longer require funding; or whether alternative sources of funding will need to be identified or alternative budget savings determined.	Agreed Issue raised in Spending Pressures Reports and considered in 2003/04 budget deliberations To be considered in overall review of NRF spending by LSP	██████ ██████	03/03 04-05/03