



## Three Rivers District Council

Use of Resources Assessment 2008/09 - Findings & Conclusions

October 2009

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#### **Appendices**

- A Appendix: Action Plan**
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# 1 Executive Summary

## 1.1 Introduction

Under the Audit Commission's Code of Audit Practice, we are required to reach a conclusion on whether the Three Rivers District Council ('the Council') has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (VFM conclusion). This report presents the results of our value for money and use of resources work in 2008/09. We have separately issued our annual report to those charged with governance (ISA260). The key messages from both of these reports will be summarised in the annual audit letter.

We described in our Audit Plan (May 2008) the areas of audit work that provide us with the assurance that contributes to our annual VFM conclusion. This report sets out our findings from these pieces of work:

- our assessment of the Council's Use of Resources (UoR), using the three themes within the Audit Commission's new assessment framework themes and Key Lines of Enquiry (KLOE).
- risk-based spot check work to assess the quality of data underlying a small sample of key performance indicators.

In 2009, the Audit Commission introduced a new framework and methodology for Use of Resources (UoR) assessments across local government, police forces, fire authorities and primary care trusts. The new framework emphasises outcomes over processes, and brings new areas into the assessment, such as environmental and workforce management. The new assessment presents a more robust challenge than the old framework, based on different scoring criteria. It should be noted, therefore, that changes from prior year scores do not necessarily reflect a real change in performance. Further detail about the new framework and the link to Comprehensive Area Assessment (CAA) are set out in Appendix B.

## 1.2 Our Conclusion

Based on the Use of Resources assessment, we gave an unqualified Value for Money conclusion. We confirmed that the Council achieved level 2 in each of the three assessment themes. A score of 2 is the prevailing score nationally for organisations subject to the assessment and this score is in line with most other district councils within the County of Hertfordshire.

In concluding this assessment we came to a rounded judgement based on the detailed criteria set by the Audit Commission. Although the Council was assessed at level 2 in each theme, we acknowledge that there is a broad range of performance among council's scoring level 2 on a national basis. Councils at level 2 range from those which meet the minimum requirements to those which are performing well with some scope for development. In our view, Three Rivers District Council should be considered as a strong level 2 with significant potential to move towards level 3 performance in future years, providing that issues highlighted in this assessment are addressed. During our review, we noted areas of good practice, notably in regard to financial planning within theme 1 which the Council should look to build on.

The Council's UoR scores in the three themes are summarised in the table below. For a full explanation of scoring criteria, please see Appendix C. The scores can be interpreted as follows:

- A score of 1 indicates inadequate performance, requiring immediate action.
- A score of 2 indicates satisfactory performance, with room for development.
- A score of 3 indicates good performance, significantly above the average.
- A score of 4 indicates excellent performance, showing best practice leadership and innovation.

**Table 1: UoR Theme Scores**

Theme	2008/09 score
1 Managing finances	2
2 Governing the business	2
3 Managing resources	2
<b>Overall UoR Score</b>	<b>2</b>

To support our conclusions in the Governing the Business theme, we undertook spot-checks of four performance indicators, and found no significant data quality issues with these. We also considered the results of our mandatory work on housing benefits, which did not give rise to any significant data quality concerns.

### 1.3 Key Recommendations

Key recommended actions for the Council arising from our assessment are discussed in sections 3,4 and 5 of this report, and are presented in the action plan in Appendix A. In summary, these recommendations are to:

- Review of the way in which financial and performance data is presented to members to ensure that performance monitoring and policy decisions are supported by information which is clear, concise, and focused on the key considerations.
- Strengthen procedures which safeguard the quality of data used to monitor and report operational performance (i.e. National Indicators).
- In preparation for the assessment of the use of natural resources in 2009/10, the Council will need to demonstrate that a broad strategy for environmental sustainability, with supporting policies and procedures, are in place, together with demonstrable evidence of strong outcomes (for example, the achievement of strategic targets in this area).

These recommendations are focused on specific areas of improvement which would move the Council towards level 3 performance in the 2009-10 UoR assessment. Our recommendations are not comprehensive, and we would encourage the Council to review the published Key Lines of Enquiry (KLOE) for 2009/10 in order to evaluate other areas where performance could be improved.

### 1.4 Next Steps

We will continue to work with the Council during the year to help prepare for the 2009/10 Use of Resources assessment. For further details on next year's assessment, please see Appendix D. For further details on how level 3 performance is assessed, please see Appendix E.

The recommendations arising from our review are set out in appendix A. We would like to take the opportunity to remind the Audit Committee of the need to monitor implementation of recommendations.

### 1.5 Use of this Report

This report has been prepared solely for use by the Council to discharge our responsibilities under the Audit Commission Code of Audit Practice and should not be used for any other purpose. No responsibility is assumed by us to any other person.

This report includes only those matters that have come to our attention as a result of performance of the audit. An audit of Use of Resources is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters.

### 1.6 Acknowledgements

We would like to record our appreciation for the co-operation and assistance provided to us by the Council's management and officers during the course of our audit.

## 2 Detailed Findings

### 2.1 Background to the Assessment

In carrying out our audit work, we comply with the statutory requirements governing our duties, set out in the Audit Commission Act 1998, in accordance with the Code of Audit Practice (the Code). The Code requires us to issue a conclusion on whether Three Rivers District Council ('the Council') has proper arrangements in place for securing economy, efficiency and effectiveness in the use of its resources (VFM conclusion). The UoR assessment forms the backbone of this process. The UoR Key Lines of Enquiry (KLoEs) are prescribed by the Audit Commission and applied at all Councils, Police Forces, Fire Authorities and NHS PCTs.

The assessment was carried out between April and August 2009. We reviewed the Council's arrangements against the KLOE framework prescribed by the Audit Commission. Our work was based on review of the Council's voluntary self-evaluation and supporting evidence, and meetings with senior management and officers.

### 2.2 Detailed Scores by 'KLOE'

The 2008/09 KLOE and theme scores are shown in the table below:

**Table 2: UoR KLOE scores**

Theme / KLOE		Score
<b>Theme 1 - Managing finances</b>		<b>2</b>
1.1	Financial planning	3
1.2	Understanding costs	2
1.3	Financial reporting	2
<b>Theme 2 - Governing the business</b>		<b>2</b>
2.1	Commissioning and procurement	2
2.2	Use of data	2*
2.3	Good governance	2
2.4	Internal control	2
<b>Theme 3 - Other resources</b>		<b>2</b>
3.1	Environmental management	N/A**
3.2	Asset management	N/A**
3.3	Workforce management	2

\*Some KLOEs have an overriding impact on theme scores - see Appendix C for more details of scoring criteria and arrangements.

\*\*Different KLOEs are specified for assessment each year and across types of organisation. See appendix D for details.

### 2.3 The VFM Conclusion

Under the Code of Audit Practice (the Code), auditors have a responsibility to conclude whether the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This conclusion is the value for money (VFM) conclusion. Section 3 of the Code sets out the scope of these arrangements and the way in which auditors will undertake their work.

Auditors inform and limit their VFM conclusion by reference to relevant criteria. These criteria cover particular areas of audited bodies' arrangements, specified by the Commission under the Code. From 2008/09, the KLOE for the scored use of resources assessment also form the criteria for the VFM conclusion. The Commission will specify each year which of the use of resources KLOE will form the relevant criteria for the VFM conclusion at each type of audited body.

Auditors address a 'yes' or 'no' question for each criterion – that is the audited body either has proper arrangements or it does not. A 'no' judgement will be equivalent to level 1 performance for the use of resources assessment, and a 'yes' judgement will be equivalent to level 2 performance or above. Criteria with a 'no' judgement will automatically apply in the following year regardless of whether or not they are specified.

For bodies subject to a scored Use of Resources assessment for Comprehensive Area Assessment (CAA), the KLOE forming the relevant criteria for the 2008/09 and 2009/10 VFM conclusion are those specified at Appendix D.

On the basis of the KLOE scores assessed in 2008/09 for the Three Rivers District Council, we issued an unqualified use of resources opinion.

### 2.4 Our Recommendations

The key findings in each of the KLOEs, and areas for improvement, are set out in the sections 3 to 5 of this report. Our recommendations focus on KLOEs that were assessed at level 2. In general terms, the Council should be able to achieve an improved assessment score in 2009/10 through a combination of the following;

- Demonstrating strong outcomes for the community and VFM improvements across the scope of the KLOE.
- Showing innovation or recognised best practice.
- Demonstrating effective partnership working leading to improved outcomes.
- Showing strong performance and value for money compared with others.

In Appendix E, we have included a brief summary of how level 3 performance will be assessed in 2009/10. This should help the Council to understand the type and level of evidence we will need to be presented with.

## 3 Managing Finances (KLOE Theme 1)

### 3.1 Theme Summary

The Council has effective procedures in place to manage finances and in regard to financial planning, can demonstrate strong outcomes as a result of this. We consider that there is potential for the Council to improve both the analysis and understanding of underlying costs to drive the VFM agenda, and that there is scope for greater clarity and integration in the information provided to those charged with governance.

### 3.2 KLOE 1.1

***Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?***

**Integrated Medium Term Planning.** The Council has a fully integrated financial planning process utilising financial projections on pay, inflation, and other key medium term assumptions. Longer term aims in the Strategic Plan, are delivered via the Medium Term Financial Strategy (MTFS), which sets parameters for the annual service plans. Detailed staff briefings are used to inform service planning.

**Stakeholder Consultation.** The Strategic Plan includes a commitment to engaging with local communities. Service Plans include equalities objectives. The Council places emphasis on the annual budget consultation exercise and there is clear evidence that issues arising from this process are considered in the annual financial planning cycle.

**Manages Spending & Financial Standing.** The Council has demonstrated a good track record of managing spending and has a sound financial position in the medium term with healthy levels of reserves. There have been no significant revenue budget overspends.

**Financial Accountability & Skills.** The Council Constitution establishes lines of accountability for the delivery of financial plans. The Council has established comprehensive training for members and staff. Courses in year include: 'Finance for Non Financial Managers', budget conditions for the next ten years, Annual Accounts Training and sessions on Money Laundering.

**Evidence of Level 3 Performance.** A number of notable outcomes have been achieved as a result of good financial planning in recent years, including very positive service outcomes:

- Service outcomes continue to demonstrate good performance centred on the key priority area of Safe and Sustainable Communities. Generally, improvements have been achieved through improved efficiency, rather than investment. E.g. new waste management contract in 2007-08 and involvement in the Hertfordshire Waste Partnership has helped to achieve a recycling rate of 49.3% in 2008-09, a 2.8% increase on previous the year. In addition, the Council continues to report the lowest levels of residual household waste in the County, with a corresponding saving in landfill tax. The Place survey indicates upper quartile among nearest neighbours in these areas. The one weak area is leisure facilities but this has been subject to substantial investment in capital works from 2008-10, with service improvements expected to follow.
- The Council has delivered its financial outturn for 2008-09, as planned in its MTFS budgets, including a substantial surplus, despite the economic downturn. Regular monitoring by the policy and scrutiny committees has led to prompt remedial action on variances. The Council has a debt free policy, minimising exposure to rising interest rates risk.
- The Council has delivered cashable efficiency savings in each of the past 3 years, including £0.5m in 2007-08 and £0.4m in 2008-09, marginally in excess of the national target, partly through membership of the Hertfordshire Pathfinder Project.
- The Council is well placed to manage the impact of the economic recession. It has substantial reserves and has the option of using these to help keep annual council tax rises below 3%. It is also holding the capital receipt from the transfer of housing stock to Thrive Homes (c.£20m) in reserve and using the interest to subsidise expenditure. Plans are in place to implement a further 3% of efficiency savings, in order to reduce the reliance on interest receivable with consideration given to the impact on front line services.
- The Council's use of the MTFS as a rolling three year financial forecast has helped inform a number of key decisions and means that remedial action can be taken earlier, without waiting for annual updates. For example, the transfer of housing stock and the establishment of a Leisure Trust in 2008-09 reflected longer term concerns about the value for money of providing services directly. In both cases, substantial future savings are expected.
- The Council's well established treasury management policy has been set to minimise the risk to investments and is reviewed annually. As a result investments have been insulated from recent falls in share prices and the collapse of notable foreign banks.

### 3.3 KLOE 1.2

#### ***Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?***

**Understands Costs.** The Council has demonstrated a good understanding of its service costs and this has filtered through into direct cost efficiency improvements in several areas. Whole life costings are required to be included in the asset management plan assessment of significant capital projects. The Council's key priorities include the achievement of safe, prosperous and sustainable communities. The areas of high spend relate to 'The Environment' (especially waste collection), 'Street Cleaning' and 'Cost of Parking Per Head'. Areas of high spend are in line with the Council's priorities, there are some clear improvements to VFM derived from this investment, most notably in regard to Street Cleaning and Waste collection.

**Applies Understanding of Costs.** The council has demonstrated examples of where costs analysis has been used to influence committee decisions. The Value for Money Strategy sets out the Council's understanding of its long term costs and benefits. Understanding of priorities is also focused by the budget consultation process. Evidence for this can be drawn from the decision to transfer the Council's housing stock to a housing association in response to the need to deliver the decent homes standards in the prescribed timescale. This measure was a result of the cost of delivering this in house as not offering value to the council tax payer.

**Planning & Delivering Efficiencies.** The cost efficiency plans for 2008/09 provide evidence of the processes in place to ensure targets are met. Costs are closely monitored and are an area of corporate focus as demonstrated by the new Efficiency Agenda. Progress against efficiency targets is monitored in the Monthly Budget & Monitoring report to the Resources Policy & Scrutiny Committee. The Council has demonstrated a good understanding of the requirements of the N179 VFM PI submission, including adjusting its forecast savings target to reflect the transfer of housing stock to Thrive Homes in March 2008. The Council has delivered cashable efficiency savings in each of the past 3 years, including £0.5m in 2007-08 and £0.4m in 2008-09. In 2008-09 the Council's service plans included cost reductions of 3.5, in excess of the 3% national target, as a result of agreement with partner organisations in the Hertfordshire Pathfinder Project. Efficiency savings remain on target to deliver savings of 10.5% by 2010-11. The Council managed to deliver 95% of planned savings in 2008-09, despite cost pressures associated with the economic downturn.

**Recommendation - Efficiency Targets**

The Council currently delivers annual savings at or marginally ahead of the national target of 3% per annum. The Audit Commission have indicated that 2010/11 is likely to be a pivotal year in public sector finance, with increasing pressure on grant settlements and other income streams, as well as pressure on costs. Our expectation is that progressive Councils, scoring level 3 in this area, are likely to be those with planned efficiencies significantly in excess of the national target over the medium term.

The Council should consider the options for increasing the level of efficiencies delivered in the annual budget in order to improve value for money, provide a buffer against future financial challenges and to reduce reliance on the HRA capital receipt.

**Recommendation - VFM Strategy**

We noted that the Council has a VFM Strategy but that this was in need of review, following the end of the 'Best Value' review programme. The VFM strategy should help to set out medium term aims for improving value for money and setting out a plan as to how this can be achieved.

We recommend that the VFM strategy be reviewed and updated to provide focus for the achievement of better value for money for the Council.

**Recommendation - VFM Projects**

We noted that the number of projects conducted by the Council, using 'LEAN' and other methodologies to identify cost efficiencies in specific areas, have been comparatively few in number over the last two years. These projects tend to be common in those Councils which are considered to be performing well in this area.

We recommend that the Council considers implementing a greater number of cost efficiency projects in the year, for services and back office functions, in order to identify potential cost savings.

### 3.4 KLOE 1.3

***Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?***

**Reliable Management Information.** The Council tests the financial and budgetary control system on an annual basis using the Internal Audit function. The financial system provides profiled budgets, and is closed down promptly. The Council has a track record of producing reliable and accurate financial information, including a good quality of projected information in MTFS and Strategic plans. This is supported by the conclusions of Internal Audit Service on their study of central accounting and Budgetary control in 2008-09, and from work done during our own audit planning process. Budget monitoring reports produced from the main accounting system demonstrate an appropriate level of detail.

**Monitoring Performance.** The Council has a track record of effective budgetary control, with prompt action taken by the scrutiny committees responsible for each service. There have been no significant revenue overspends in 2008/09 having an affect on service provision or priorities. Management information includes information on key partnerships such as the Leisure & Community Safety Partnership. The quality and clarity of financial and performance reporting is adequate, although there is room for improvement in regard to refining and summarising some of the detailed information provided for member scrutiny. The PMS system is effectively used to collate and report on non-financial performance on a quarterly basis to the Policy and Scrutiny Committees, with recommended actions to address performance issues taken to the Executive Committee for decision. Scrutiny and Executive Committee minutes provide evidence that the process is operating effectively. Budget monitoring reports produced from the main accounting system demonstrate an appropriate level of detail. Comprehensive reports are made available to members of the Council executive and review committees, and include an assessment of the risk management implications.

**Annual Accounts.** The June 2009 deadline for accounts submission was met, as was the September deadline for final accounts submission and the WGA return. The accounts were received prior to the audit fieldwork. The accounts were submitted to the audit committee in June with an explanatory paper from the Director of Resources & Governance and the level of scrutiny from members was satisfactory. Comprehensive working papers were provided to the audit team and Council staff were available when required. The rate of response to queries was good. The appointed auditor issued an unqualified audit opinion and there were no material errors. There were a small number of non-trivial errors and some disclosure amendments to the accounts in 2008-09.

**External Reporting.** The Council publishes all committee papers promptly on its website. The authority advertises the annual audit in line with statutory requirements. The Annual Audit and Inspection Letter, UoR Report, Annual Report and Accounts are all made available on the website free of charge and meeting minutes and key documents are added to the website in a timely manner. Stakeholders have been engaged in regard to the availability of information. The

Annual Report contained significant explanation and context to improve accessibility for stakeholders. The Council considers community impact assessment for all reports to committee. An equalities and communities assessment 'relevance Test' is mandatory for all reports to Council committees. The results of the test are summarised on the front sheet of all committee papers. More detailed Equalities and Communities impact assessments are also required to take place prior to the authorisation of new policy initiatives, and these are a standard part of business cases presented to committee. The Council has published a report on the key equality findings from the 2009/10 Budget consultation exercise.

#### **Recommendation - Presentation of Information to Members**

The level of information provided to committee members tended to be highly detailed and complex, both in regard to the budget monitoring information in year, and annual budget and service planning information. The level of analysis undertaken, and the way that budget monitoring is geared to refreshing of the medium term financial plan on a regular basis, reflect well on the Authority's depth of planning. However, the detailed manner in which this is presented may obscure the clarity of the information which could ultimately impact on the Members ability to make effective decisions. There is an expectation that a level 3 organisation will make use of highly summarised information 'dashboards', which focus on the key risks and help facilitate focused and timely decision making. The detailed analysis can be provided to inform action in specific areas.

We recommend that the Council review the level of information presented to members, particularly in regard to performance monitoring and decision making, in order to provide greater clarity, brevity and focus on key issues. Detailed supplementary information should be made available on request.

#### **Recommendation - Integration of Performance Information**

Financial information, performance against key service performance indicators and risk management were reported separately and on different timetables, with minimal analysis provided to link the areas together. Under UoR, there is an expectation that at level 3, organisations will regularly present integrated management information to members, to demonstrate how expenditure is contributing to service outcomes as experienced by local residents. For example, the impact that an increase (or decrease) in the annual budget is having on associated performance targets (e.g. National Indicators), and the risk associated with not achieving these targets. This type of information should enhance the ability of elected members to direct resources to priority areas, either at the planning stage, or through intervention during the year. It also allows the Authority to better understand and communicate the extent to which it is achieving good value for money.

We recommend that the Council review the structure of performance monitoring data presented to members in order to provide greater integration between financial and performance information. This should provide members with a much clearer picture of the impact that investment is having on services to aid planning and decision making.

## 4 Governing the Business (KLOE Theme 2)

### 4.1 Theme Summary

The Council has a focused vision of outcomes linked to local needs and demographic considerations, and has demonstrated consultation with residents in commissioning services. Procurement and commissioning are based on adequate procedures. A Data Quality Strategy is in place, although the procedures supporting it require some development. Formal protocols and policies have been developed with some partners but this continues to be an area of development for the Council. The Council has an embedded Assurance Framework which is expressed in terms of delivering corporate objectives.

The Council Constitution articulates guiding principles of governance for all aspects of Council activity. The Council has a strong track record of good standards of conduct and is able to demonstrate a robust and well established ethical framework and culture. The Council maintains focus on its purpose and vision as in engaging with stakeholders including minority and vulnerable groups. There are no significant issues with anti-fraud arrangements. The Council has a sound system of internal control including an established and robust Internal Audit service.

It should be noted that KLOE 2.2 is a 'dominant' KLOE in the assessment and that a score of 2 in this area will restrict the overall theme score to level 2.

### 4.2 KLOE 2.1

***Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?***

**Understanding Needs.** The Council has a focused vision of outcomes linked to local needs and demographic considerations. This awareness is further demonstrated in their contribution to the Hertfordshire County strategic needs assessment and the local strategic partnerships review of the Sustainable Community Strategy, which also emphasises the Council's effective use of partnership working in this area.

**Stakeholder Consultation.** The Council has undertaken a number of initiatives which demonstrate significant levels of consultation with residents in commissioning services. The Generic Equality Scheme Consultation is evidence of tackling hard to reach groups. The Council's annual budget consultation is also used as a platform for allowing the community to influence financial decisions as are other forums such as the Equal Opportunities Forum (e.g. consultation with Black & Minority Ethnic Groups). These elements are evident in the annual service plans.

**Effective Use of IT.** The Council makes use of information technology to support commissioning and procurement, including the use of e-procurement. We reviewed evidence of a recent Council initiative, which seeks to improve services to customers through mobile benefit officers taking the service out to customers' homes on all new claims. The mobile officer has access to relevant computer systems using remote access technology to enable this to occur.

**Understanding the Market.** The Council demonstrates adequate understanding of the market. For Example, the decision to move away from the Central Buying Consortium (CBC) for electricity & gas purchasing, on the basis that Districts did not contribute to the financial running of CBC and had no say in the choice of supplier. The move has improved the Council's ability to shop around for utilities although it was unable to evidence direct cashable benefits to date.

**Evaluates Options, Including Partnerships.** The Council is about to implement a shared service arrangement with Watford Borough Council which covers commissioning and procurement and this is a good example of pro-active methods taken to improve VFM.

**Improving VFM.** The Council provided some evidence that it works towards greater VFM through use of competitive tendering and other methods. Evidence was provided of cross service committee meetings which discussed and decided upon procurement options for Grounds Maintenance and Environmental Maintenance, which included explicit discussion of VFM criteria.

#### Recommendation - Understanding Cost/ Benefit

There is an expectation that at level 3, an organisation has a clear view of the cost and benefit of procurement and commissioning decisions, not only as a projection to aid investment decisions, but also to evaluate and measure the impact post implementation. The expectation is that projected cost benefit information is monitored by officers and members against actual benefits delivered in order to assess value for money. This information enables the organisation to learn from experience and to develop commissioning and procurement systems to improve the value for money delivered from investment decisions.

We recommend that the Council should look to develop a process to measure and monitor the actual benefits delivered as a result of commissioning and procurement decisions (for example cost savings or improvements in service performance).

### 4.3 KLOE 2.2

#### ***Does the organisation produce relevant and reliable data and information to support decision making and manage performance?***

**Data Quality Including Partnerships.** The Council's Data Quality Strategy states that where there is joint working, there should also be an agreement covering data quality with partners (for example a data sharing protocol). The risk management process also identifies risks to data quality and has put in place actions to address them. Formal protocols and policies have been developed with some bodies (e.g. police), but not yet with the County Council. This continues to be a challenging area for the council but the issue is being addressed under the Data Quality Strategy. Our work on performance indicators, supported by the findings of internal audit, did not highlight significant problems with the data reported, although the Council recognises the need to further embed its newly installed data quality policies and procedures.

**Quality of Management Information.** The Council's standard report template provides a consistent standard for Council reports and ensures a basic level of clarity and coverage of key administrative aspects. Generally, reports are well presented, with adequate background and context, and use statistical information to substantiate points made. The resources used to collect data are suitable to achieve accuracy with limited manual intervention and minimising multiple data sources. The Council recognises that there is scope for improvement in the way that performance and financial data is summarised and presented to those charged with governance to ensure that key underlying messages are delivered effectively.

**Data Security and Statutory Requirements.** Data is managed on systems with controlled or secured access and has a business continuity plan that is regularly tested. Access to the network is secured by password access and individual departmental system access is also controlled by user name and password. Remote access to systems requires users to sign on using password and token number generator. A Business Continuity Plan and Disaster Recovery service are in place and are tested annually. The last test took place in February 2009. An updated security policy is in place with regular compliance reviews carried out by senior management. An ICT Usage Policy is in place detailing responsibilities across all departments. This covers new security requirements imposed by the Government Connect Code of Connection. A Senior Information Risk Owner, lead officer for data quality and a lead officer for data security are all in place. ICT Risks have been identified and are incorporated into the ICT service plan.

**Monitors Service Performance.** Service plans include partnership targets and Local Area Agreement Targets where relevant. Performance targets are reported quarterly, including for all key partners, such as Community Safety Partnership and Children's Trust Partnership, as well as the Local Area Agreement and LSP Priorities, are reported to the Policy and Scrutiny Committees. All new targets agreed by the Executive Committee. Customer satisfaction PIs have been identified and included in all service plans. Evidence was provided that information is used to keep areas of underperformance under review and that effective action is taken (for example, an annual review of strategic risks).

**Spot-check of National Indicators.** To support our judgements for KLOE 2.2, we undertook detailed spot-checks of a number of the Council's key performance indicators. Where we identify significant concerns around the quality of the underlying data, which would be likely to lead to a material misstatement, we report our findings to the Audit Commission. Although we did have some concerns regarding the control framework to safeguard data quality (see above), our spot checks did not indicate any significant errors in the National Indicators we reviewed.

**Housing Benefits Data Quality.** We also considered the results of the data quality aspects of our work on housing benefits. From our work carried out on HB COUNT, we have not identified any issues that would have a material impact on scores for KLOE 2.2.

#### Recommendation - Safeguarding Data Quality

Data quality has become a critically important area over the last 5 years, particularly in regard to performance information for the services, which is reported nationally to the Department for Communities and Local Government (DCLG). It is important, in that the performance indicators are used by the Council to monitor the success of policy initiatives and investment decisions. It is also important because these indicators are the medium by which the Council reports its performance to the DCLG and ultimately to the general public.

In recent years, audit reviews have highlighted problems with the controls in place to safeguard data quality, specifically with regard to reported performance outcomes under the 'Best Value Indicator' and now the new 'National Indicator' framework. In order to address this, the Council has implemented a new Data Quality Strategy. Our review found that systems and procedures to support the strategy in the Council service departments, were not yet consistently applied and that the Council could not provide evidence that checks of reported data had taken place. Although there is no evidence of significant issues with accuracy to date, the Council is exposed to the risk that should errors be made, these may not be detected prior to publishing the data.

We recommend that the Council acts to ensure that the policies outlined in the Data Quality Strategy are effectively reflected in the systems and procedures observed in the Service departments, and that there is an audit trail so that compliance can be checked.

#### 4.4 KLOE 2.3

##### ***Does the organisation promote and demonstrate the principles and values of good governance?***

**Principles of Good Governance.** The Council constitution articulates guiding principles of governance for all aspects of Council activity. This Local Code follows the six core principles taken from The Good Governance Standard for Public Services (2004). There is no evidence from minutes or discussion, that relationships between members, management and staff are dysfunctional and there have been no significant disputes. The Council has a strong track record of good standards of conduct, which are assessed annually by the Standards Committee. Members have access to a broad and comprehensive range of development opportunities through regular training.

**Focus on Purpose & Vision.** The Council's purpose, vision and key priorities are clearly set out in the Strategic Plan, which is reviewed annually. The Council maintains focus on its purpose and vision as in engaging with stakeholders including minority and vulnerable groups. A good example of this is the importance placed on the Budget consultation process each year. The Council has an embedded Assurance Framework which is expressed in terms of delivering corporate objectives, linked to risk assessments in the service plans, and fully incorporated into the Council's governance structure.

**Ethical Framework.** The Council is able to demonstrate a robust and well established ethical framework & culture. This is supported by a well established and effective local counter fraud service (LCFS). The Council produces an Annual Report on compliance to the Local code of governance, including the Parish Councils, which goes to the Standards Committee (Most recently Nov 2008). The Monitoring Officer is required to provide complaints information to the Standards Board for England on a quarterly basis. All claims for reimbursement of expenses are submitted, certified by line managers, to payroll. The names of officers authorised to sign the records have been established. Payments to Senior officers and Members, are authorised by the Chief Financial Officer upon receipt of a completed form (The Chief Executive approves claims by the Chief Financial Officer). Claims up to three months following the date of the relevant duty are paid with the approval of the Chief Financial Officer. Claims for allowances dated more than three months from the date of the relevant duty are paid only with the approval of the Executive Committee. The frequency and value of expense claims at the Council year on year are comparatively low.

**Governance in Partnerships.** The Council has extended the application of its governance principles to include its strategic partners, initially through its partnership risk assessment process, which in turn contributes to the terms of reference when new partnerships are entered into. The Council is working to strengthen its governance arrangements in its partnerships (for example, the Hertfordshire Waste Partnership) through participation on the relevant partnership boards. The Council has been able to demonstrate an effective contribution to partnership groups via the published group minutes.

### Recommendation - Governance

At level 3, there is an expectation that Council decisions are primarily member led and that Council Committees have access to appropriate expertise in the area they cover. There is also an expectation that the business of key operational committees, such as the Audit Committee and the policy and scrutiny committees, are not overly politicized to the detriment of business. Committees should be managed so that agenda items are appropriately covered in the time available. There is also an expectation that members, and particularly portfolio holders, are appropriately trained in these areas of responsibility.

The refinement of the information presented to members, recommended in this report under KLOE 1.3, should help to strengthen member leadership and decision making.

#### 4.5 KLOE 2.4

#### ***Does the organisation manage its risks and maintain a sound system of internal control?***

**Effective Risk Management (including Partnerships).** Strategic risks are included in the Strategic Plan and relevant service plans, and are reviewed and updated quarterly by Executive Committee. Operational Risks are included in all Service Plans, which are reviewed by the relevant policy and scrutiny committees half-yearly, and on a rolling programme by the Officer Risk Management Group. Operational risks are reviewed by Audit Committee annually. Risk Management training is included in induction for all new staff. The ongoing focus on risk management is evidenced by agendas of partnership groups (e.g. Local Strategic Partnership, Community Safety Partnership, and the District Children's Trust Partnership). The assurance framework also incorporates a risk assessment of all partnerships.

**Managing Fraud & Corruption.** Fraud risk assessments carried out by IA in recent years have not found significant issues with anti-fraud arrangements (2007-08 was the latest). Reports to the LSP use the Council's standard template incorporating risk management implications where potential fraud and corruption risks would be reported. Benefit Fraud Risk is evaluated via an annual report. The Partnership risk assessment process picks up key fraud risk areas.

**System of Internal Control.** The Council has a sound system of internal control which is summarised in the Annual Governance Statement. Review of Council policy and Scrutiny of performance are carried out on quarterly basis by scrutiny committees aligned to each service. The framework is supported by a comprehensive and effective internal audit service. The findings of internal and external audit and the implementation of remedial actions are closely monitored by the Audit Committee, who refers actions to the relevant scrutiny committee when appropriate. Compliance with the Civil Contingencies Act 2004 is demonstrated and exercises are held with partners to test the adequacy of emergency plans (for example, Exercise Damocles, emergency scenario testing with Watford Borough Council). The conclusions of the 2007-08 external audit, and work to date in 2008-09 indicate that the system of internal control remains adequate.

#### Recommendation - Audit Recommendations

At level 3, there is an expectation that a strong system of internal control will result in only a small number of minor issues coming out of internal and audit reviews, including those conducted by Internal Audit. The 2008/09 audit process detected a number of significant issues (for example, regularity of bank reconciliations and data quality).

There is also an expectation that audit recommendations are addressed promptly to ensure that identified weaknesses are dealt with on a timely basis. The system for monitoring recommendations is highly effective. However, recent Audit Committees have highlighted that a number of audit recommendations have passed the agreed implementation date, and compliance will need to be followed up.

The Council should ensure that issues identified by Internal Audit, and from other external reviews, are dealt with on a timely basis.

## 5 Other Resources (KLOE Theme 3)

### 5.1 Theme Summary

The Council has a satisfactory track record of effective staff management arrangements which have produced an effective and skilled workforce. The Council has effective staff planning arrangements commensurate with the size of the organisation.

### 5.2 Cyclical Reporting within Theme 3.

It is important to note that KLOE within Theme 3 are subject to review on a cyclical basis. Therefore, under this framework only KLOE 3.3 (Workforce Management) was assessed in 2008/09. KLOE 3.1 Natural Resources and 3.2 Asset Management will be reviewed in 2009/10 and 2010/11 respectively (see Appendix D). We have included recommendations to address these areas to help the Council to prepare for the assessment of these areas.

### 5.3 KLOE 3.1

#### *Is the organisation making effective use of natural resources?*

This KLOE was not assessed in 2008/09, but will be assessed in 2009/10.

#### **Recommendation - Natural Resources**

This KLOE will be assessed for the first time in 2009/10 at district councils and we recommend that the KLOE guidance is reviewed in order to understand the basic criteria against which this will be assessed. Emphasis for level 3 performance will be placed on outcomes, and the Council will be expected to be able to demonstrate not just that plans for a sustainable environment are in place, but also that tangible outcomes have been achieved, for example, a year on year reduction in carbon emissions.

We recommend that the Council reviews the published criteria for KLOE 3.1 to ensure that there is appropriate audit trail to demonstrate that appropriate procedures are in place. For level 3, the Council will need to demonstrate positive outcomes for policies relating to the use of natural resources.

#### 5.4 KLOE 3.2

### *Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?*

This KLOE was not assessed in 2008/09, but will be assessed in 2010/11 as part of the cyclical approach to this theme.

#### **Recommendation - Asset Management**

This KLOE will be assessed for the first time in 2010/11 at district councils and we recommend that the KLOE guidance is reviewed in order to understand the basic criteria against which this will be assessed. Emphasis for level 3 performance will be placed on outcomes, and the Council will be expected to be able to demonstrate not just that it has efficient plans for effective asset management which deliver value for money, but also that tangible outcomes have been achieved. For example, demonstrating that surplus land and buildings have been identified and sold in year, contributing to the general fund, or redeveloped to meet local needs, according to a defined estates strategy.

We recommend that the Council start to review asset management in preparation for the 2010/11 assessment. The published criteria for KLOE 3.2 should be reviewed to ensure that there is appropriate audit trail to demonstrate that appropriate procedures are in place. For level 3, the Council will need to demonstrate positive outcomes for policies relating to asset management.

#### 5.5 KLOE 3.3

### *Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?*

**Productive and Skilled Workforce.** The Council has a strong track record of effective staff management arrangements which have produced an effective and skilled workforce. Each service plan contains a section on workforce planning which informs annual staff performance appraisals. Appraisals have a structured format and are reviewed. The Council rewards individual cases of exceptional performance and has proven disciplinary and capability procedures. The Council has retained 'Investors In People' accreditation (since 1995), Positive About Disabled People (since 2005) and a Corporate Charter Mark (since 2006). Electronic job applications now represent an estimated 80% of the total, which has reduced costs. Staff are able to develop their careers by undertaking secondments. The shared services project includes 'acting up' arrangements, giving staff the opportunity for development.

The Council provides wellbeing incentives such as interest free bicycle loans and flexible working. The Council has financed a programme of tetanus and hepatitis immunisations for staff whose jobs may put them at risk and flu vaccinations for all staff. The total number of days lost due to sickness has reduced between 2005 and 2008 through effective new procedures. The Council also recognises around 35% of staff who take no absence at all due to sickness with a letter from the Chief Executive.

**Staff Planning.** The Council has effective staff planning arrangements. Each service plan has a section on workforce planning where Heads of Service identify changes and trends in workload including service developments, new or changing legislation or government initiatives. They also consider the impact on staff in terms of skills gaps, training and development needs, and propose solutions along with their financial implications. Establishment charts are maintained by the Personnel & Training Service and included in service plans. The annual budget setting process allows for a full establishment with a 'provision' for vacancies. Agency staff costs are collected separately under each service's cost centre. Salary budgets are adjusted for vacancies during the year and the provision written down.

**Managing Organisational Change.** In 2007-08 the Council experienced significant change with the transfer of the housing stock to Thrive Homes and the leisure facilities to Hertsmere Leisure. Throughout 2008/09 the shared services project with Watford has been the focus of organisational change. Joint briefings and individual consultation have been held, and UNISON has been involved throughout. Briefings in leading and dealing with change have recently been delivered in both authorities. The shared services 'gateway review' of progress was published to Members and staff on the website in June 2008. In all cases staff are transferred under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE). The staff magazine is regularly used to communicate to staff. The staff Local Liaison Committee is held every 2 months with representatives from UNISON, non union representatives and Management Board. Local issues are dealt with through the fortnightly directorate team meetings. Staff rate their 'motivation' and 'satisfaction' through the appraisal process and the average score have been sustained at 7/10 throughout 2006, 2007 and 2008 despite significant organisational change. The outcomes for the successful management of these changes could not be effectively assessed in 2008/09 and will be reviewed in 2009/10.

**Staff Policies.** The Council is planning to fully implement the Equality Standard for Local Government through implementation of its Comprehensive equality policy. The Council completed an equal pay review in 2007. Arising from the shared services project with Watford there are plans to adopt the National Joint Council Job Evaluation Scheme (currently used at Watford) and adopt a new pay model for both authorities. In a recent staff survey (January 2009) 96-99% of staff responded positively to questions about whether they (or their colleagues) were treated fairly in relation to age, disability, gender and ethnicity.

**Recommendation - Staff Management**

At level 3, there is an expectation that the Council actively manages staff resources over the course of the year. This includes regular monitoring of key indicators such as staff sickness absence, temporary staff levels and staff productivity. There is also an expectation that targets will be set and delivered on a set timeframe (for example reduced staff absence). The Council reports some of this information on an annual basis as part of the annual service planning round, but does not regularly report performance on a corporate level.

We recommend that the council makes greater use of staff performance indicators in its regular corporate reporting to monitor the effectiveness of its staff management arrangements.

## A Appendix: Action Plan

The Council should address the following issues on an agreed timetable:

**Table 3**

KLOE	Recommendation	Priority	Management response	Implementation details
1.2	The Council should consider the options for increasing the level of efficiencies delivered in the annual budget in order to improve value for money, provide a buffer against future financial challenges and to reduce reliance on the HRA capital receipt.	Medium	Agreed. Target set at 4.5% p.a. in service plans for 2010/13.	To be finalised when agreeing strategic, service and financial plans in February 2010.
1.2	We recommend that the VFM strategy be reviewed and updated to provide focus for the achievement of better value for money for the Council.	High	Agreed	Paper to be prepared for the Executive Committee prior to agreeing strategic, service and financial plans in February 2010.
1.2	We recommend that the Council considers implementing a greater number of cost efficiency projects in the year, for services and back office functions, in order to identify potential cost savings	Medium	Agreed	To be considered as part of paper referred to above.

KLOE	Recommendation	Priority	Management response	Implementation details
1.3	We recommend that the Council review the level of information presented to members, particularly in regard to performance monitoring and decision making, in order to provide greater clarity, brevity and focus on key issues. Detailed supplementary information should be made available on request	High	Agreed	Proposals to be considered in first instance by Resources Policy & Scrutiny Committee as part of proposals to harmonise performance and financial management information between Watford & Three Rivers
1.3	We recommend that the Council review the structure of performance monitoring data presented to members in order to provide greater integration between financial and performance information. This should provide members with a much clearer picture of the impact that investment is having on services to aid planning and decision making	High	Agreed	Integration will be part of harmonisation proposals.
2.1	We recommend that the Council should look to develop a process to measure and monitor the actual benefits delivered as a result of commissioning and procurement decisions (for example cost savings or improvements in service performance).	Medium	Agreed	Matter to be considered as part of procurement review.

KLOE	Recommendation	Priority	Management response	Implementation details
2.2	We recommend that the Council acts to ensure that the policies outlined in the Data Quality Strategy are effectively reflected in the systems and procedures observed in the Service departments, and that there is an audit trail so that compliance can be checked.	High	Agreed	Officers responsible for data quality to be reminded of their responsibilities.
2.4	The Council should ensure that issues identified by Internal Audit, and from other external reviews, are dealt with on a timely basis.	High	Agreed	To be pursued by the Audit Committee
3.1	We recommend that the Council reviews the published criteria for KLOE 3.1 to ensure that there is appropriate audit trail to demonstrate that appropriate procedures are in place. For level 3, the Council will need to demonstrate positive outcomes for policies relating to the use of natural resources.	High	Agreed	Management Board to receive regular reports on progress to achieve this KLOE

KLOE	Recommendation	Priority	Management response	Implementation details
3.2	We recommend that the Council start to review asset management in preparation for the 20010/11 assessment. The published criteria for KLOE 3.2 should be reviewed to ensure that there is appropriate audit trail to demonstrate that appropriate procedures are in place. For level 3, the Council will need to demonstrate positive outcomes for policies relating to asset management.	Medium	Agreed	Management Board to receive regular reports on progress to achieve this KLOE
3.3	We recommend that the council makes greater use of staff performance indicators in its regular corporate reporting to monitor the effectiveness of its staff management arrangements	Medium	Agreed	Management Board to consider which indicators are appropriate for reporting to members.

## B Appendix: New Use of Resources Framework

### The Old UoR Regime

Local authorities' Use of Resources (UoR) has been assessed by external auditors under the Comprehensive Performance Assessment (CPA) regime since 2005. Until 2008, this took the form of an assessment in each of the following 5 areas;

- Financial Reporting
- Financial Management
- Financial Standing
- Internal Control
- Value for Money

Authorities received an overall UoR score, and a score for each area as set out below:

**Table 4 Scoring Under the Old UoR Regime**

Score	Key
1	Below minimum requirements - performing inadequately
2	At only minimum requirements - performing adequately
3	Consistently above minimum requirements - performing well
4	Well above minimum requirements - performing strongly

This score directly influenced each organisation's overall CPA score and had a significant impact on external perception and reputation.

### The Move to Comprehensive Area Assessment

The CPA regime provided an effective roadmap and stimulus for improvement, which helped many authorities to move in the right direction, focusing on externally validated strengths and weaknesses. This was reflected by a national picture of gradually improving scores and assessment results from 2005-8, and improving services to the public.

However, in order to build on the success of CPA, the Audit Commission recognised the need to:

- Ask "how well are people served by their local public services?" rather than "how well are people served by their Councils?"
- Focus on outcomes for an area, not just on individual organisations
- Consider local priorities rather than apply a "one-size fits all" approach
- Consider whether performance is likely to improve in the future, rather than how it has improved in the past

- Place less importance on compliance and rules to reflect local differences

In late 2007, the Audit Commission began to consult on a new framework for comprehensive area assessment (CAA), of which an updated UoR assessment would be a key component. The CAA framework that emerged focuses on *areas* rather than the *organisations* within them, and holds local partners jointly to account for their impact on the things that matter to the area as a whole. The CAA asks three key questions:

- How well do local priorities express community needs and aspirations?
- How well are the outcomes and improvements needed being delivered?
- What are the prospects for future improvement?

The CAA does not give an overall score, as was the case for CPA. However, there will be green flags given for innovative or exceptional performance and red flags given to indicate concerns about outcomes and performance.

**Table 5 CAA - Key Changes**

CPA	CAA
Local government focus	All sectors and partners
Institution based	Area based
One size fits all	Focus on local priorities
Performance	Outcomes and perceptions
Collaboration between regulators	Joint assessment
Cyclical inspection	Continuous assessment, proportionate inspection
Focus on past performance	Focus on future improvement

*Source:- Audit Commission*

### Use of Resources under CAA

Alongside the area assessment, CAA will include organisational assessments for key public sector organisations including councils, primary care trusts (PCTs), police forces and fire authorities. Each organisational assessment consists of two components; an assessment of how effectively the organisation is addressing its own priorities, called "managing performance" for councils, and an updated UoR assessment will be applied similarly across the different types of organisation.

The new UoR framework under CAA applies from 2008/09. The diagram below shows the overall approach to the revised UoR framework. There are three themes replacing the five areas included in the old framework, and a number of key lines of enquiry (KLOEs) within each theme.

**Use of Resources under CAA (source: the Audit Commission)**



The individual KLOEs for each theme are detailed in the main body of this document. Scoring criteria are set out in Appendix C.

## C Appendix: Scoring Criteria & Rules

The table below summarises the criteria used to reach scored judgements for each KLOE.

**Table 6 Scoring Criteria**

Level 2 Performs adequately	Level 3 Performs well	Level 4 Performs excellently
Arrangements consistent with established professional practice and guidance, meet <b>statutory requirements</b> and operate effectively.	Implemented effective arrangements that are: <ul style="list-style-type: none"> <li>➤ <b>forward looking</b> and <b>proactive</b> in identifying and developing opportunities for improvement; and</li> <li>➤ include more sophisticated measuring and assessment techniques.</li> </ul>	Demonstrating <b>innovation</b> or <b>best practice</b> .
Arrangements sufficient to address the KLOE.	<b>Outputs</b> and <b>outcomes</b> demonstrate arrangements which are effective and have the <b>intended impact</b> , and show evidence of effective <b>partnership working</b> .	Demonstrating strong <b>outcomes for the community</b> including through <b>partnership working</b> .
Arrangements achieve minimum <b>acceptable levels of performance</b> .	Evidence of performing <b>consistently above minimum acceptable levels</b> and achieving <b>VFM</b> .	Evidence of performing <b>well above minimum acceptable levels</b> and achieving <b>excellent VFM</b> .

Theme scores are derived from a numerical average of the KLOE scores within that theme. In some cases such as theme 2 or theme 3 when only 2 out of 3 KLOEs are assessed, the average of KLOE scores could result in a number ending in .5. In such cases the following rules apply in 2008/09;

- For theme 2, if the average KLOE score ends in 0.5, then the theme score will be rounded up or down to the score for KLOE 2.2. Examples - KLOE scores of 3,2,2,2 = theme score of 2. KLOE scores of 3,2,3,2 = theme score of 2. KLOE scores of 2,3,3,2 = theme score of 3.
- For theme 3, if the average KLOE score ends in 0.5, then the theme score will be rounded up or down to the score for KLOE 3.1. Examples - KLOE scores of 3 and 2 = theme score of 3. KLOE scores of 2 and 3 = theme score of 2.

The Audit Commission document at the link below details the overall approach to UoR framework and full details of scoring methodology:

<http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/uorframework2008updatefeb09.pdf>

In addition the Commission published auditor guidance for the UoR framework. This is available at the link below. This provides details of the specific KLOE's and expected indicators for levels of performance;

<http://www.audit-commission.gov.uk/localgov/audit/UoR/Pages/guidance.aspx>

## D Appendix: Rotation of Assessment (Theme 3)

KLOE within theme 3, Other Resources, are assessed on a cyclical basis. The table below summarises the KLOEs that were assessed and formed the basis for the VfM conclusion in 2008/09.

**Table 7: Cyclical Assessment of KLOE Theme 3 in 2008/09**

		Single tier or county council	Districts	NHS PCTs
<b>Theme 1 - Managing finances</b>				
1.1	<b>Financial planning</b>	Y	Y	Y
1.2	<b>Understanding costs</b>	Y	Y	Y
1.3	<b>Financial reporting</b>	Y	Y	Y
<b>Theme 2 - Governing the business</b>				
2.1	<b>Commissioning and procurement</b>	Y	Y	Y
2.2	<b>Use of data</b>	Y	Y	Y
2.3	<b>Good governance</b>	Y	Y	Y
2.4	<b>Internal control</b>	Y	Y	Y
<b>Theme 3 - Other resources</b>				
3.1	Environmental management	Y	N	N
3.2	Asset management	Y	N	Y*
3.3	<b>Workforce management</b>	N	Y	Y

\*only assessed at PCTs with a significant asset base.

For the 2009/10 assessment, KLOE themes 1 and 2, in addition to the following KLOEs within theme 3, will be assessed and will form the basis for the VfM conclusion. Within theme 3, achieved in 2008/09 will continue to apply for 2009/10 for those KLOEs not being assessed in year 2.

**Table 8: Cyclical Assessment of KLOE Theme 3 in 2009/10**

<b>Theme 3 - Other resources</b>				
3.1	<b>Environmental management</b>	N	Y	Y
3.2	Asset management	Y	N	N
3.3	Workforce management	Y	N	Y

Note that for district councils, the assessment of KLOE 3.2, Asset Management, has been deferred until 2010/11.

Full details of the scoring methodology are provided at the Audit Commission's website at: <http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/uorframework2008updatefeb09.pdf>

## E Appendix: Assessing Level 3 Performance

### Assessing Outputs, Outcomes and Achievements

In order to score level 3 or above in the new UoR assessment framework, organisations were required to show that processes are *effective* and having the *intended impact*. This is an important shift in emphasis from the previous framework, within which organisations could achieve top scores largely by demonstrating excellent processes. The table below gives generalised examples of the types of outcome that have led to higher scores.

**Table 9: Illustrative Examples of Outcomes by KLOE**

**NOTE** - these examples are for illustration only and do not comprehensively cover each KLOE. Refer to section 2 for KLOE headings.

	Outcome	Output	Achievement
1.1	Investment in priorities leads to improved performance	Savings targets met, performance reward grant achieved	Positive external assessment
1.2	Improved relationship between costs and performance	Service reviews completed identifying opportunities	Development of effective corporate efficiency programme
1.3	Healthy financial position	Improved financial skills	Early close of accounts, clean audit
2.1	Improved service performance at lower cost	Completed commissioning / procurement exercises	Innovative approach to joint commissioning External recognition for procurement
2.2	Better-informed decisions and robust data to stakeholders	Improved internal performance reporting	Finding and fixing problems with own or partner data
2.3	Flexibility and responsiveness whilst maintaining focus	All members trained in ethical behaviour	Achieving a more balanced political process
2.4	Risks identified and mitigated, frauds recovered	Development and review of risk registers	Development of effective partnership risk framework
3.1	Reducing emissions and water consumption	Training of environmental champions	Enrolment in carbon reduction programme
3.2	Improving condition of assets	Income from disposal of unwanted assets	Better office accommodation

	Outcome	Output	Achievement
3.3	Meeting skills gaps, improving staff satisfaction	Reducing turnover and sickness absence	Investors in people accreditation

There are some common sense principles that should be taken into account when seeking to identify outcomes:

- organisations should not have to identify new outcomes for the purposes of UoR assessment. These should be identified and captured through existing management activity; organisations should understand how their processes help them to achieve their priorities.
- outcomes and outputs should be measurable where possible, but if this is not the case then a qualitative description of the improvement is still useful.
- there may not be a 1-to-1 relationship between processes and outcomes. There may be a small number of outcomes that arise as the net effect of a processes across a KLOE area.
- Councils should discuss any issues of interpretation with their auditors before investing time and effort in self-evaluation, if this is the preferred approach.

#### Engagement in the Assessment Process

The Council engaged effectively with the assessment process in 2008/09. Our early discussions with senior officers helped the Council to prepare a high-quality and focused self-assessment, and a comprehensive pack of supporting evidence.

For the 2009/10 assessment, we anticipate a less time-intensive process. The assessment is likely to focus on the following areas in particular:

- identifying new outcomes for 2009/10 and evidence that outcomes from 2008/09 have been sustained.
- areas in which the Council feel that substantial improvements have been made to processes and procedures.
- areas in which new audit risks have been identified.

#### Our Approach to Ensuring Consistency

In line with the Audit Commission's move to Comprehensive Area Assessment, the new use of resources framework has been designed to provide more flexibility to recognise local issues, priorities and achievements. This has given auditors more freedom to establish the individual story of each organisation, rather than applying a rigid best practice template. To support this, both the Audit Commission and Grant Thornton have put in place new arrangements for ensuring that judgements and scores are reached in a fair and consistent way.

The Audit Commission has:

- provided extensive guidance and training.
- introduced an area-based challenge process bringing together auditors within each region to discuss and challenge indicative scores.
- increased the visibility of comparative scores and commentary for auditors.
- undertaken a detailed final quality assurance process including statistical analysis across suppliers, regions and types of organisation.

Grant Thornton has;

- provided training and guidance.
- developed a network of regional leads to oversee the audit process nationally.
- undertaken a number of internal consistency and challenge sessions, comparing our clients with each other and with their regional neighbours.
- undertaken detailed review and quality control of scores and conclusions.



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