

**BRISTOL CITY COUNCIL
AUDIT COMMITTEE**

15 January 2010

Report of: Strategic Director (Resources)

Title: Grant Thornton - FINAL Use of Resources Report 2009

Ward: Citywide

Officer presenting report: Richard Powell, Chief Internal Auditor

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RECOMMENDATION

The Audit Committee note, and comment as appropriate, on Grant Thornton's assessment of the Council's Use of Resources performance for 2009

Summary

The report includes details of the results of Grant Thornton's Use of Resources Assessment for 2009.

This report was discussed at the Audit Committee on 13 November 2009. This version includes a final action plan, as agreed with Council officers.

The significant issues in the report are:

- An unqualified VFM conclusion was issued on the 25 September 2009

- The following theme scores were issued:

| Theme | Score |
|------------------------|--------------|
| Managing finances | 2 |
| Governing the business | 2 |
| Managing resources | 3 |

Level 2 represents adequate performance and level 3 performing well.

In order to improve the Council's performance we have identified the following key actions:

increase the focus on outcomes throughout the organisation;
demonstrate VFM and improved efficiencies;
a thorough review of the account should be undertaken prior to their approval and release for audit;
develop outcomes based commissioning throughout the organisation; and
agree joint risk registers with partners for its strategic partnerships.

Policy

None affected by this report. The Audit Commission has statutory responsibility for inspection and assessment at the Council. Grant Thornton are the Council's appointed external auditors. In carrying out their audit and inspection duties they have to comply with the relevant statutory requirements. In particular these are the Audit Commission Act 1998 and the Code of Audit Practice with regard to audit, and the Local Government Act 1999 with regard to best value and inspection.

Consultation

Internal: Grant Thornton has discussed and agreed their findings with Council officers prior to the issue of this draft report. A final report will be issued upon completion of the action plan by officers of the Council.

External: Grant Thornton has liaised with the Audit Commission in undertaking their work and has participated in local and national quality assurance procedures to ensure robust and consistent application of scores across Councils.

1 Introduction

1.1 This is the first year that the Council's Use of Resources arrangements have been assessed under the new Audit Commission CAA arrangements. There have been significant changes with the introduction of more demanding requirements, which are broader in scope, and embrace wider considerations such as people and workforce planning, and the use of natural resources. It also places more emphasis on outcomes for local people. The KLOEs are more strategic and focus explicitly on

achievements and outcomes rather than internal arrangements and processes.

1.2 The Report provides a commentary on:

- The Council's VFM conclusion, that the Council has proper arrangements for securing economy, efficiency and effectiveness in the use of its resources.
- The Council's theme and KLOE scores for 2009, including detailed findings and recommendations for each KLOE.

1.3 Grant Thornton's partner, John Golding, the appointed auditor responsible for the City Council's audit will be attending the Committee, and will be pleased to answer Members' questions.

Other Options Considered

Not applicable.

Risk Assessment

Not as a result of this report.

Equalities Impact Assessment

There are no issues arising from this report.

Legal and Resource Implications

None arising from this report.

Appendices:

Appendix 1: CPA Use of Resources Report 2009.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers: None

Use of Resources 2009 - findings and conclusions

Bristol City Council

January 2010

FINAL

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Appendices

- A** Action plan
- B** CAA and the new Use of Resources Framework
- C** Scoring criteria and rules
- D** KLoEs specified for assessment in 2008-09 and 2009-10
- E** Identifying outcomes, outputs and achievements
- F** Use of Resources Timetable 2009-10

1 Key Messages

1.1 Context

Under the Audit Commission's Code of Audit Practice we are required to reach a conclusion on whether Bristol City 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 described in our Audit Plan (April 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'); and
- specific work on locally identified audit risks, which contribute to our VFM conclusion by feeding into our UoR assessment scores.

From 2008-09, 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 deterioration in performance.

The new UoR assessment also forms part of the Organisational Assessment under Comprehensive Area Assessment (CAA). Further detail about the new framework and the link to CAA are set out in appendix B.

1.2 Key messages

On 25 September 2009, we issued an unqualified VFM conclusion and reported that position to the Audit Committee.

The Council's UoR scores in the three themes are summarised in the table overleaf. A score of 1 indicates inadequate performance, and a score of 4 indicates excellent performance. For a full explanation of scoring criteria, please see appendix C.

Table 1: UoR scores

| Theme | 2008-9 score |
|--------------------------|---------------------|
| 1 Managing finances | 2 |
| 2 Governing the business | 2 |
| 3 Managing resources | 3 |

We have assessed the Council as performing well (level 3) for theme 3 - managing resources and having adequate arrangements in place for themes 1 and 2. In addition we identified that the Council is performing well in the following areas:

- Managing Finances - how the Council plans its finances to effectively delivers its strategic priorities and secure financial health; and
- Governing the business - in promoting and demonstrating the principles and values of good governance.

Managing Finances

We have concluded that overall for theme 1, the Council has adequate arrangements in place. The Council is performing well in having effectively planned its finances to ensure delivery of its priorities. The Council is beginning to demonstrate delivery of its strategic outcomes, such as improved educational attainment and an increase in the number of frail elderly people helped to live at home. These improvements were achieved during 2008-09 while a stable financial environment was maintained.

However, in order to improve the Council needs to develop further its understanding of costs, across the whole of the organisation, to enable it to demonstrate value for money in high cost areas. The Council should be looking to where improvements could be made next, based on comprehensive comparative information available to members, senior officers and service managers, throughout the organisation.

The Council should also improve its financial reporting in order to ensure that published information is fit for purpose and meets the needs of users. The use of integrated financial and performance information should be extended to enable decision makers to see a more complete position.

Governing the business

Under theme 2, we concluded that adequate arrangements were in place. This judgement was based on our findings relating to commissioning and procurement, where the Council is beginning to develop outcomes based commissioning, but this has yet to deliver significant outcomes and value for money for both internally and externally provided services. The management arrangements were found to be robust for data quality, but the Council needs to ensure its data security policy is up to date and that systems are in place to record any system breaches.

We are able to conclude that the Council is performing well in promoting the principles and values of good governance, both within the Council and through its strategic partnerships. However, the Council needs to establish effective joint risk management arrangements within its strategic partnerships, such as joint risk registers for the Local Strategic Partnership and the West of England Partnership.

Managing resources

For theme 3, managing resources we have concluded that the Council is performing well. The Council has demonstrated improvements and outcomes to reduce the impact on the environment, such as a reduction in carbon dioxide emissions. We are also able to commend the Council for effectively managing its assets to ensure the delivery of its strategic priorities.

Key actions

Key actions for the Council arising from our assessment include the following:

- increasing the focus on outcomes throughout the organisation, rather than just the processes;
- demonstrate VFM and improved efficiencies across the Council;
- a thorough review of the accounts, incorporating consistency checks, should be undertaken prior to the accounts being approved and presented for audit;
- develop outcome base commissioning throughout the Council, both internally and externally, which delivers improved outcomes and value for money as a result; and
- develop and agree, with its partners effective, joint risk management arrangements.

1.3 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.

The recommendations arising from our review are set out in appendix A.

1.4 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 relevant auditing standards 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.

1.5 Acknowledgements

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

2 Detailed findings

2.1 Introduction

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 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. However, as our audits are tailored to local risks, we specifically identify and consider certain areas of greater audit risk for each organisation, as part of the UoR assessment. These are set out in the table below, with a reference to where we carried out the additional work.

Table 2: Consideration of local risks in our work

| Local VFM risk identified in our Audit Plan | Where considered |
|--|--|
| Joint Council and PCT Health Inequalities Follow-up | Separate report issued in September |
| Joint Governance Arrangements of the West of England Partnership | Separate report issued in October |
| Treasury Management | As part of our use of resources assessment - separate report to be issued in early 2010. |
| Financial Management - Budget Setting | Findings included within this report |

2.2 Approach to the audit

The UoR assessment was carried out between March and July 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 detailed supporting evidence and meetings with members, senior management and officers.

2.3 2008-09 UoR assessment

The 2008-09 KLoE and theme scores are shown in the table below.

Table 3: UoR theme and KLoE scores

| Theme / KLoE | Score |
|---|-------------------------|
| Theme 1 - Managing finances | 2 |
| 1.1 Financial planning | 3 |
| 1.2 Understanding costs | 2 |
| 1.3 Financial reporting | 2 |
| Theme 2 - Governing the business | 2 |
| 2.1 Commissioning and procurement | 2 |
| 2.2 Use of data | 2 |
| 2.3 Good governance | 3 |
| 2.4 Internal control | 2 |
| Theme 3 - Managing resources | 3 |
| 3.1 Natural resources | 3 |
| 3.2 Strategic asset management | 3 |
| 3.3 Workforce management | Not assessed in 2008-09 |

Please note:

- 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.

2.4 2008-9 VFM conclusion

We concluded and reported to the Audit Committee on 25 September 2009 that the Council has proper arrangements in place for securing economy, efficiency and effectiveness in the use of its resources.

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 their VFM conclusion, by reference to relevant criteria. These criteria cover particular areas of audited bodies' arrangements, specified by the Audit Commission under the Code. From 2008-09, the KLoEs for the scored use of resources assessment also form the criteria for the VFM conclusion. The Audit 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. Details can be found in appendix D.

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.

The key findings in each of the KLoEs, and areas for improvement, are set out in the sections 4-6.

3 Managing Finances

3.1 Managing Finances

This theme focuses on the Council having sound strategic and financial management, that is, whether the Council plan its finances to deliver its priorities, the extent to which it has a sound understanding of its costs and performance, and whether its financial reporting is timely, reliable and meets the needs of its population.

We concluded that the Council has adequate arrangements in place.

| Theme 1 - Managing finances | | 2 |
|------------------------------------|---------------------|----------|
| 1.1 | Financial planning | 3 |
| 1.2 | Understanding costs | 2 |
| 1.3 | Financial reporting | 2 |

3.2 KLoE 1.1 - Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?

The KLOE seeks to establish whether the Council integrates its financial planning with strategic and service planning processes on a medium to long-term basis, whether it engages local communities and other stakeholders in the financial planning process, how it manages spending within available resources and whether it is financially sound over the medium term. It also seeks to establish whether the Council recognises individual and collective responsibilities for financial management and values and is developing appropriate financial skills. Our findings are set out in line with the characteristics as outlined in the Audit Commission guidance.

We consider that the Council is performing well as it has planned its finances effectively to ensure the delivery of its priorities. The Council is beginning to demonstrate delivery of strategic outcomes, such as above average improvement in educational attainment and an increase in the numbers of older people helped to live at home. These improvements have been achieved while maintaining a stable financial environment.

Integrated financial planning and medium term financial planning

The Council has effective arrangements in place to deliver its strategic priorities. It has integrated financial planning with the corporate planning processes and the budget is clearly linked to the Council's corporate priorities to ensure delivery.

The Medium Term Financial Plan for 2008-11 was developed alongside the budget setting process and also reflects the corporate priorities. It takes account of both national and local priorities and includes sensitivity analysis to assess possible changes and scenarios.

For 2008-09, the Council had budget timetables in place with regular monitoring of compliance and the Council provided directorates with guidelines on areas such as inflation, pay increases, utility costs and ensuring the base budgets reflected the new directorate structure.

The Council continues to work towards its 'vision for finance' to provide a World class service. It has appointed a business analyst and is undertaking training for finance staff and operational managers on unit costing to further embed the value for money agenda. The Council has also commenced its roll-out of the web-based purchase to pay system and the centralisation of creditors.

Effective financial management has ensured timely approval of a balanced budget for 2008-09, that identified areas of growth and savings, alongside assumptions and key risks.

The Council has recognised the need to deliver savings and improve efficiency in order to provide resources to focus on priority areas and has introduced the Business Transformation Programme. This programme has achieved savings in the region of £1.1 million in 2008-09. During 2008-09 and prior years the Council has focused resources on priority areas to improve outcomes, such as educational attainment for all children in Bristol and of those of children looked after by the Council.

We recognise partnership working is developing, though Bristol's local strategic partnership (Bristol Partnership), the West of England Partnership and a number of other strategic partnerships. However, the Council has yet to demonstrate how investment through the partnership has produced more efficient use of resources either by lowering costs or delivering better outcomes. This should be developed in future years to further support level 3 performance.

In addition the Council has been successful in delivering the building schools for the future programme, with the schools being built on time and on budget, in order to assist in delivering improved educational attainment, improved school attendance levels and reduced exclusions.

As part of this KLOE following the Icelandic banking crisis, we have also considered the treasury management arrangements at the Council. The Council has reviewed its treasury management practices and as a result, there is a revised approach to borrowing and lending. These changes include the adoption of lowest common denominator approach to credit ratings and suspension of long term borrowing. Also, more detailed monitoring has been introduced, with monthly reports to the Executive Member to supplement the existing quarterly performance reports.

The Council updated its treasury management policies and strategies in March 2009 and will consider further updates when CIPFA issue a revised Treasury Management Code which is currently out for consultation. The Council should consider the impact of this revised code on its own scrutiny, approval, training and reporting arrangements.

Engages local communities and other stakeholders in the financial process

The Council ensures it engages with the public through a range of methods documented within its communication strategy, such as the Citizen's Panel and stakeholder conferences. Equalities policy, strategy and guidance are all published on the Council's website and include Equalities Impact Assessments. Equality impact assessments are carried out routinely and are applied to financial and non-financial decisions. We identified as part of this review that the themes within the medium term financial plan (MTFP) were assessed and had equality impact assessments.

In addition the Council enabled consultation of its annual budget and facilitated this process through the Council web page. We also recognise that the Council achieved level 4 of the Local Government Equality Standard.

Manages spending within available resources and is financially sound over the medium term

The Council for the past three years has operated within its revenue budget and maintained its reserves and balances. In 2008-09 the Council were under spent by £3.5 million and the general fund working balance was been maintained at £6 million.

While maintaining this level of financial stability the Council is beginning to achieving improved outcomes within social care with the introduction of the STAR service. The Council, for this service, is actively monitoring unit costs and is beginning to see unit costs reducing as an increased percentage of the population are helped to live at home. In addition the recent place survey identified that a high proportion of residents are satisfied with where they live.

Financial governance and leadership

In 2008-09 the Council improved its corporate arrangements to ensure it exercises good financial governance and leadership. This is demonstrated by robust challenge by senior management and the introduction of the roles of the Deputy Chief Executive and Strategic Directors. We also recognise the role of members, both the Audit Committee and the Resources and Scrutiny Commission in ensuring effective challenge.

Recommendations

| | |
|----|--|
| R1 | jointly consider how the Council can demonstrate how its strategic partnerships have resulted in more efficient use of resources, by lowering costs or delivering better outcomes for the population of Bristol. |
|----|--|

3.3 KLoE 1.2 - Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?

This KLoE focuses on whether the Council understands its costs, including whole life, transaction and unit costs, the main factors that influence these and how they link to performance and whether it takes account of this in its decision making and commissioning. It also seeks to establish whether the Council has identified the scope for making efficiencies and is on track to achieve planned efficiencies.

Understanding costs and decision making

We consider that the Council understands the issues and factors that influence the costs of its priority areas; such as education and social care and is beginning to demonstrate some improvement in performance in these areas. We are aware of the following improvements:

- Educational attainment is improving at a rate greater than the average in comparison to other authorities. For example in 2009 key stage 2 SATs results indicate 2% improvement at level 4.
- In 2008-09 Adult Social Care has increased the number of older people supported to live at home through intensive homecare.

However, the overall cost of these services remain high in comparison to other authorities. We recognise that the Council is trying to address the high cost of services within adult social care, through the development of 'Residential Futures' We noted the impact of the introduction of a new service, home care reablement service (STAR). This service is beginning to improve outcomes for clients and to reduce unit costs.

The Council is developing its understanding of costs across all directorates through the introduction of the directorate health-checks. These health-checks enable analysis of performance and costs and identify areas for improvement. The process began in 2008-09 and is continuing in 2009-10.

Senior officers within the Council ensure that good quality information is available to support decision making, including details of costs, savings, payback period and the impact on performance indicators. We recognise that the Council is also improving the information it provides to enable members to challenge VFM and to identify priority areas for subsequent years. In early 2009-10 the Council developed a VFM cost and performance matrix. This matrix provides a tool which enables officers and members to quickly indicate if a service is value for money. We consider that wider use of this tool would provide strategic challenge, increased awareness of VFM and identify priority areas. Positive movement on this matrix could also support level 3 performance as it would enable the Council to graphically present where it is achieving improvements in VFM.

Identifies the scope for making efficiencies and is on track to achieve the planned efficiencies

The Council developed a VFM strategy in January 2008. However, this strategy has not been updated or progress formally monitored and reported. In order to ensure the VFM strategy remains relevant and current it should be reviewed, updated and progress against the strategy should be built into the Council's performance management framework. The VFM strategy should be the driver for VFM throughout the organisation and should clearly link to the programme of efficiency savings adopted by the Council.

The Council has a rolling programme of efficiency savings in place and achieved its efficiency target of 3 percent in 2008-09, with savings in the region of £10 million. The Council achieved this through some services making savings above target to compensate for those areas which were below target. In order to increase efficiencies further the Council has introduced the Business Transformation Programme, which should deliver more substantial savings and efficiencies over the next three to five years.

| Recommendations | |
|------------------------|---|
| R2 | demonstrate VFM and improved efficiencies by: <ul style="list-style-type: none"> • developing better understanding of costs across the organisation; • continuing to deliver greater improvements in priority areas and in high cost areas; and • delivering significant efficiency savings. |
| R3 | ensure information is available to members to enable strategic challenge of VFM. |

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?

This KLOE focuses on whether the Council produces relevant, timely and reliable financial monitoring and forecasting information and uses wide-ranging performance information for in-year decision-making and monitoring. It also seeks to establish the extent to which financial reports are clear and support strategic decision making and whether the Council's accounts meet statutory requirements, financial reporting standards and give a true and fair view of the financial performance and position. It also assesses whether published reports provide an objective, balanced and understandable assessment of the organisation's performance in the year.

Financial monitoring and forecasting

Budget monitoring reports are presented to members through the Resources Scrutiny Commission and Cabinet. Each year they receive four budget monitoring reports based on forecast outturn compared to budget. The member committees do not routinely receive reports which compare actual performance against budget. Underlying departmental budget reports do compare actual performance against budget and are routinely reviewed by officers.

We also identified that financial monitoring does not routinely make use of unit or activity cost information. This information is available but unless specifically requested will be presented separately and often to other committees. Our review established that members consider current financial monitoring arrangements to be fit for purpose and appropriate. However, we consider that the Council should ensure financial monitoring arrangements are kept under review to ensure they remain suitable.

Independent assurance was provided by the Council's Internal Audit Department on the financial monitoring arrangements. In 2008-09 Internal Audit provided satisfactory assurance following their review of the budgetary control system.

The Council uses financial and related performance information to monitor performance.

The Council has begun to integrate financial and non-financial information for reporting to Members, with the introduction of report cards in priority areas in 2007-08. However, the integration of information reporting to members for most of 2008-09 has been limited. For the majority of services financial monitoring and performance monitoring information are reported separately to the Cabinet.

The Council recognises the need to improve integrated information and considerable efforts are being made by the Council to improve this.

Publishes reports that provide objective, balanced and understandable assessment

Our review for this element of the KLOE was based on the 2007-08 accounts and the 2008-09 accounts. Both sets of accounts met statutory requirements and received an unqualified audit opinion. As reported last year the 2007-08 accounts contained a large number of non-trivial errors.

The 2008-09 accounts were approved by the Audit Committee on 26 June 2009 and were published by 30 September 2009. Improvements were made in comparison to the previous year, however, a number of issues were identified during the course of our audit. These included

- a material error in the calculation of impairment of tangible fixed assets following a revised assessment from the Council's Head of Valuation;
- the debtor balance reported in the accounts for housing benefit overpayments was not determined on the basis of amounts reported within the Council's housing benefits system. Furthermore, the Council did not have a clearly documented rationale for the determination of its bad debt provision for housing benefit overpayments;
- accounts issued within Audit Committee papers were not complete and an updated version was tabled at the meeting;
- working papers for the statement for recognised gains and losses (STRGL) identified unallocated amounts totalling £4 million, indicating a non-trivial error within reserves; and
- the 2008-09 financial statements included a prior period adjustment of £177 million.

A number of other non material adjustments were made to the accounts in relation to the calculation of depreciation for non operational assets and the application of Financial Reporting Standard 12 in the accounting for provisions and reserves.

The Audit Committee scrutinised the draft accounts well, providing good challenge to officers and a number of questions were raised by each of the Members on the financial statements. The Council ensures transparency through the publication of minutes, reports, statement of accounts and Annual Audit Letters on its website on a timely basis. Information is available in a range of formats such as braille, audio tape or large print and the Council website also highlights translation services sign language services and availability of different formats for information.

Although, an annual report is not published, the Council use the 'Our City' newspaper for external financial and environmental reporting, to increase coverage and ensure the public are informed and aware. It has included a special budget edition, summary financial statements and summary details of energy consumption and recycling. In addition, the Annual Environmental Statement is published on the Council's website.

| Recommendation | |
|-----------------------|--|
| R4 | ensure financial monitoring arrangements remain fit for purpose and meet the needs of the user. |
| R5 | continue to consider how financial information presented to members can be improved and integrated with performance information, in order to facilitate decision making. |
| R6 | a thorough review of the accounts, incorporating consistency checks, should be undertaken prior to the accounts being approved and presented for audit. |
| R7 | ensure that arrangements are put in place to address the recommendations arising from our 2008-09 ISA 260 report on the financial statements. |

4 Governing the business

4.1 Theme summary

This theme focuses on strategic commissioning and good governance, in particular how well the Council governs itself and commissions services that provide value for money and deliver better outcomes for local people.

We concluded that the Council has adequate arrangements in place.

| Theme 2 Governing the business | | 2 |
|---------------------------------------|-------------------------------|----------|
| 2.1 | Commissioning and procurement | 2 |
| 2.2 | Use of data | 2 |
| 2.3 | Good governance | 3 |
| 2.4 | Internal control | 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?

This KLoE is concerned with whether the Council has a clear vision of intended outcomes for local people which shapes its commissioning and procurement, and is based on an ongoing analysis and understanding of needs. It also seeks to establish whether the Council understands, and seeks to influence and develop, the supply market; and whether it reviews service competitiveness and achieves value for money.

In order to demonstrate level 3 performance the Council needs to deliver improved VFM as a result of effective commissioning, as well as effective procurement.

Vision of intended outcomes which shape commissioning and procurement based on ongoing analysis of need.

Bristol's Local Strategic Partnership has agreed the strategic vision for the population of Bristol and has agreed an interim statement of the sustainable community strategy.

The Council has a good understanding of the inequalities and diversity of its population, based on a number of needs assessments which were consolidated into the Joint Strategic Needs Assessment in 2008. These well understood needs have been brought together and form Bristol's intended outcomes in the interim statement of the sustainable community strategy.

During 2008-09 the Council began to develop its commissioning to ensure services are developed to meet these needs and outcomes and to develop outcome based commissioning throughout the Council.

Involves local people, partners, staff in commissioning services

The Council has actively engaged in consultation in areas where significant change is being planned, such as the residential futures programme. The Council continues to improve its approach to commissioning to ensure that the community is more involved in each stage of the commissioning cycle. The Council now needs to evidence specific outcomes as a result of consultation.

This KLoE required us to consider how the Council communicates and explains its procurement and commissioning approach to the public. We considered how the public are informed and the range of information which was available relating to residential futures. This is a complex proposal and we concluded that the Council could improve existing arrangements and should consider how the Council explains its commissioning and procurement approach to service users and the wider community.

Improves experience and VFM through service redesign

The Council is developing and redesigning services in those areas which have significantly under performed for a number of years, some improvements in experience and VFM are evident, such as the homecare STAR service, but further improvements are required to support level 3 performance. The Council needs to develop a more widespread systematic approach to service redesign, which should be integral and embedded within the commissioning cycle.

In addition, if the Council is to ensure it improves the experience of service users, it also needs to develop further its understanding of customers experience of the services they receive.

Understands and develops the supply market and evaluates different options for procuring

The Council has a well developed and effective corporate procurement team and in 2008-09 achieved savings in the region of £4 million. A sustainable procurement strategy was introduced during 2008. The Council was able to demonstrate effective partnership procurement with the successful award of the joint phase 2 waste contract through the West of England Partnership.

We established that the Council is able to demonstrate understanding and development of the market and suppliers where services are commissioned and procured externally. A good example of this was the successful procurement of preventative services in the Children and Young People's Service. However, understanding of the supply market for those services which remain in-house and the development of a commissioning framework for in-house services is limited.

Review competitiveness of services and achieves VFM

The Council is considering and driving VFM at a corporate level in order to improve underperformance. The Council has delivered improvements in educational attainment and social services homecare, but it needs to embed this principle in its approach to commissioning both internal and externally delivered services.

| Recommendations | |
|------------------------|---|
| R8 | develop outcome based commissioning throughout the Council, for both internal and externally provided services, which deliver improved outcomes as a result and involve local people and partners throughout the commissioning cycle. |
| R9 | improve how the Council communicates and explains its commissioning and procurement approach to service users and the wider community. |
| R10 | develop a more widespread systematic approach to service redesign, which should be integral and embedded within the Commissioning cycle, evidenced by improved outcomes and VFM for service users. |
| R11 | develop the Council's understanding of the supply market for all services. |

4.3 KLoE 2.2 - Does the organisation produce relevant and reliable data and information to support decision making and manage performance?

This KLoE focuses on whether the Council can demonstrate that it understands the needs of its decision makers, produces, with partners, relevant and reliable data to support decision making and performance monitoring and how it works with partners to ensure the quality of partnership data. It also assesses whether the Council has arrangements to monitor performance and to ensure data security and compliance with relevant statutory requirements.

Relevant and reliable data

We established that the Council has a data quality policy and guidance which is available on the intranet and website and that the Council has an executive member with data quality responsibilities. The Council has introduced a robust framework to ensure data quality, including partnership indicators.

These arrangements included internal data quality audits on the majority of the Council's national and key local indicators resulting in the following outcomes:

- development of a data sharing protocol with the police and the sharing of joint data relating to school exclusions, ASBOs, racial incidents and road safety;
- correction of data provided by Audit Commission for the Place Survey; and
- action taken to resolve the quality of data provided by third parties, this included escalation to senior management as part of the joint contract arrangements.

Overall the data quality arrangements were considered to be good and assessed as low risk. As a result of this assessment detailed spot checks were not undertaken, although as part of the risk assessment we did consider the arrangements the Council has in place to ensure the quality of a selection of indicators which rely on third party evidence. This identified that the Council were concerned over the accuracy of information supporting NI149 - Adults receiving secondary mental health services. Action was being taken by the Council, through discussions with the third party and this confirmed our view that the Council has robust arrangements in place to check and verify data from third parties.

As part of our audit work in 2008-09 we were also required, by the Audit Commission, to review housing benefit payments. This testing identified only one error, further testing was carried out by the Council and confirmed this error as an isolated incident and confirmed our view that data quality arrangements are robust.

Understands needs of decision makers

Information to support decision making is considered by members to be fit for purpose. The Council uses a variety of methods to aid understanding and to allow for different skills and sufficient time of decision makers, such as leaving background papers in the members room, briefings to individual members, collective briefings and briefings to political parties.

SPARnet, the Council's electronic performance management system, is used across the Council to monitor performance against local and national indicators. Feedback mechanisms have been introduced to enable members to comment on information they have received. These mechanisms and processes could be improved to include feedback from staff and other stakeholders.

The Council is improving the level of comparative information provided and the link between financial and performance information. Financial and performance information is often presented separately and relies upon information users making the connection.

Ensures data security and compliance with statutory requirements

We identified that the Council has a range of information security controls in place, but was in the process of developing its information security policy. As a result the Council was not able to record the number security incidents which occurred during 2008-09. The Council was aware of this issue and had included information security in its corporate risk register throughout 2008-09.

The Council has a Corporate Business Continuity Plan which was agreed in July 2008, however, weaknesses in these arrangements have been identified by Internal Audit and were also included in the corporate risk register.

Monitors performance against priorities

We are aware that during 2008-09 the Council's new strategic leadership team have raised the profile and importance of performance management and as a direct result introduced a three pronged performance management approach. This approach includes:

- quarterly corporate plan progress, reported within directorates, to member portfolio leads and Cabinet;
- directorate health checks, began in February 2009, and look at performance from four different perspectives - customer, service, financial and staff; and
- performance clinics, introduced in November 2008 to keep areas of poor performance under review.

As identified earlier in this report the Council's use of integrated financial and non-financial information is under developed and not wide-spread throughout the organisation. Therefore, the use of integrated information to ensure effective performance management could be improved. Although, we recognise that the directorate health checks which look at performance from four different perspectives, will provide more integrated financial and performance information, they only began in February 2009 and so we were unable to assess the impact and resulting outcomes in 2008-09.

| Recommendations | |
|------------------------|---|
| R12 | develop and agree an information security policy and ensure systems are in place to enable the Council to record any incidents or breaches of its policy or IT systems during the year. |
| R13 | demonstrate improvements and outcomes as a result of the improved performance management arrangements. |

4.4 KLoE 2.3 - Does the organisation promote and demonstrate the principles and values of good governance?

The focus for this KLoE is on assessing whether the Council has adopted, promotes and demonstrates, the principles of good governance, maintains focus on its purpose and vision, demonstrates a strong ethical framework and culture; and applies the principles and values of good governance in its partnership working.

The Council has adopted, promotes and demonstrates the principles of good governance

The Council has effective arrangements in place which demonstrate the principles of good governance. Formal documents have been agreed and support the arrangements, these include the Council Constitution and codes of conduct.

Training is provided to Members on their duties and a Councillor development programme is in place to address learning needs. Members are very positive about the quality of training they receive, considering it to be being relevant and focused. There are constructive working relationships between members and officers and both recognise the benefit of close and transparent working arrangements. All members have had the opportunity to discuss their individual training needs with 1-2-1 meetings with the development officer. 50% took up this opportunity demonstrating strong commitment to develop and improve. The Council has also been awarded the Charter for Councillor Development.

Adequate arrangements are in place for members expenses, as the level of allowances is approved at the start of the each year and individual councillor's level of claims is publicly available.

Maintains focus on purpose and vision

The Council has clearly set out its vision for Bristol over the short to medium term and the objectives it hopes to achieve. The Council has established an open and outward facing culture and has a clear focus on the needs of the local community. Leadership has been strengthened and working relationships between members and officers were considered to be very strong by officers and members.

The Council is aware of those areas where service improvement is required and is focused on delivering improvements. Performance Clinics have been introduced to address underperforming areas and drive improvement and as a direct result more challenging targets are now being set which ensure that performance in comparison to other local authorities should improve.

Demonstrates a strong ethical framework and culture

The Council has agreed and adopted codes of conduct for members and staff and has an active standards committee in place. The Council has established gifts and hospitality registers and members' interests are published on the Council website. In addition its whistle blowing policies, results of investigations, both local and national are well publicised.

During 2008-09 the Council had no reported breaches of its codes of conduct, suggesting an open and honest culture built on a framework of strong ethics.

Applies the principles and values of good governance to partnership working

The Council recognises the importance of partnership working and works well with the others through the Bristol Partnership. During 2008-09 the Council fundamentally reviewed its Bristol Partnership arrangements, introducing more effective governance arrangements. Whilst arrangements are still developing, partners now have more confidence in these new arrangements and constructive working relationships are being introduced.

We have found that effective partnership governance can be demonstrated through a number of positive outcomes, delivered through the Bristol Partnership:

- reduction in the health inequalities gaps as indicated by a reduction in life expectancy rates between the most and least deprived wards in the city;
- reduction in secondary school exclusions;
- Bristol winning the national food champions for community diet and nutrition;
- Beacon status for Healthy Schools work; and
- success in securing additional funding through partnership work, an example of this is the award of Cycling City status that has resulted in £11.3 million additional funding.

In addition we have taken into account the governance arrangements introduced to support the West of England Partnership. This partnership is not a statutory partnership, but includes Bristol and the former Avon Authorities working together to deliver services, such as transport and housing at a sub-regional level. We consider that this partnership is beginning to delivering VFM and outcomes as follows:

- joint procurement of waste disposal solution for the next 5 to 9 years, ensuring avoidance of LAT penalties; and
- Joint Local Transport Plan which has secured significant additional funding and is also on track to deliver 18 out of 21 of its joint targets.

Recommendations

Recommendation 1 will also support this KLoE
R1 jointly consider how the Council can demonstrate how its strategic partnerships have resulted in more efficient use of resources, by lowering costs or delivering better outcomes for the population of Bristol.

4.5 KLoE 2.4 - Does the organisation manage its risks and maintain a sound system of internal control?

This KLoE is concerned with whether the Council has effective risk management in place that covers partnership working; whether there is a clear strategy and effective working arrangements, to manage the risk of fraud and corruption; and whether the Council has a sound system of internal control including internal audit.

Has effective risk management that covers partnership working

We consider that the risk management arrangements at the Council are comprehensive. We confirmed that the Council has a risk management policy, risk registers and a fully operational effective audit committee in place.

The new Deputy Chief Executive (DCE) has taken responsibility for the Corporate Risk Register (CRR) and risk owners update the CRR on a quarterly basis. However, partnership risk management is at an early stage and fully operational joint risk registers were not in place for the Partnership Boards and the West of England Partnership.

In order to be assessed as performing well, the Council should have established, with its partners, effective joint risk management arrangements. At the time of our review the Council, with its partners had not agreed joint partnerships risk registers, but were in the process of developing and introducing joint registers.

Effective fraud and corruption arrangements and system of internal control

The Council's anti-fraud and corruption strategy is published on its web site and is due to be updated in 2009-10 following Council restructuring. We consider that effective procedures for detecting and preventing fraud were in place and headed by Internal Audit. We identified that prompt investigations by Internal Audit have led to prosecutions and that recommendations to management have been implemented on a timely basis. Bristol has taken part in benchmarking itself against core cities, comparing fraud investigation procedures.

We considered that the Council has a good system of internal control in place with an effective audit committee that reported the impact of its work to Council through an Annual Report, and an internal audit function that operated in accordance with the CIPFA code of practice.

The assurance framework is clear and aids the production of the Annual Governance Statement. Any issues identified in the Annual Governance Statement were incorporated into the corporate risk register to enable effective monitoring and review.

| Recommendation | |
|-----------------------|--|
|-----------------------|--|

| | |
|-----|--|
| R14 | develop and agree with its partners effective risk management arrangements, such as joint risk registers, that support the delivery of partnership outcomes. |
|-----|--|

5 Managing resources

5.1 Theme summary

This theme considers, asset management and natural resources. Natural resources has not been previously considered as part of the use of resources assessment.

We concluded that the Council is performing well.

| Theme 3 Managing Resources | | 3 |
|-----------------------------------|----------------------------|--------------|
| 3.1 | Natural resources | 3 |
| 3.2 | Strategic asset management | 3 |
| 3.3 | Workforce management | not assessed |

5.2 KLoE 3.1 - Is the organisation making effective use of natural resources?

This KLoE focuses on with whether the Council understands, and can quantify its use of, natural resources and whether it is managing performance to reduce its impact on the environment.

Understanding and Quantifying the Use of Natural Resources

The Council has established a number of environmental strategies, against which the Council has set objectives, and monitored performance against these objectives. The Council has effective arrangements in place, enhanced by the adoption of the Eco-Management and Audit System (EMAS). This system enabled the Council to identify its significant environmental impacts and provided independent audit of the majority of its services.

The Council has actively engaged staff & stakeholders in environmental change. Staff surveys and 'Green Reps' are being introduced to facilitate communications between staff and senior management on green issues. Annual Environmental Statements are available publicly and the Council is working in partnership with BANES, North Somerset Council and South Gloucestershire Council to improve air quality, bio-diversity & conservation, through the Joint Local Transport Plan (JLTP) and the Green Capital Action Plan part of the Green Capital Project.

Managing performance to reduce impact on the environment and managing environmental risk

Bristol was the only UK city in European Green Capital award and the Council can demonstrate the following environmental outcomes:

- electricity usage in Council buildings - 0.5% reduction from 2005-06 to 2007-08;
- gas and oil consumption in Council buildings - 12.1% reduction, 2005-06 to 2007-08, ahead of internal target;
- carbon dioxide emissions - 13.6% reduction, from 2005-06 to 2007-08, a reduction of 7,645 tonnes, this performance is ahead of the Council internal target;
- water consumption - 6.5% reduction from 2005-06 to 2007-08;
- river quality improving - from 2006-07 to 2008-09, 25% increase in rivers assessed as good quality;
- energy efficiency rating for Council owned homes improving based on SAP rating, 16.7% from 2005-06 to 2007-08;
- staff sharing their car journeys to work is increasing and business mileage reduced by 7.9% from 2005-06 to 2007-08; and
- increase in usage of sustainable timber (18%) and environmentally friendly stationery (3.7%) achieved through procurement strategy.

5.3 KLoE 3.2 - Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?

This KLoE seeks to identify whether the Council has a strategic approach to its asset management and whether it is based on an analysis of need to deliver its strategic priorities, service needs and intended outcomes. It also seeks to establish whether the Council effectively manages its asset base to ensure that assets are fit for purpose and provide value for money.

Strategic approach

The Council has clearly defined senior management and member responsibility for strategic asset management. It has introduced an organisation wide approach to managing assets as a corporate resource through:

- Annual Corporate Asset Management Plan and Capital Strategy, underpinned by service specific plans which support overall objectives;
- corporate property function; and
- the Infrastructure & Development Board.

The Council has demonstrated that it is performing well through the following key outcomes:

- building schools for the future programme has been delivered to timescale and budget, supporting above average rate of improvement in educational attainment; and
- as part of the Council's New Ways of Working project the Council is consolidating its office accommodation. This is ahead of schedule and in 2008-09 saw the release of three properties saving £399,000.

Managing assets to provide VFM

The Corporate Asset Management Plan (CAMP) contains key indicators for managing assets and sets out that proposals for investment will be the subject of formal project appraisal to ensure they reflect the Council's corporate priorities and deliver value for money. The views of service users are sought, for example, the consultation conducted to address primary school capacity shortfalls, which included seeking the views of the schools affected, parents and the local community.

Supporting the CAMP, the Council has departmental asset management plans. These plans set out on an asset by asset basis, the condition, suitability, key issues and business drivers. Each plan also includes an action plan to ensure the assets are effectively managed.

In previous audits we were concerned that the arrangements and systems in place to record housing assets on the housing revenue account (HRA) contained some weaknesses. We established that the Council has improved these arrangements for recording HRA assets on the asset register.

We established that the Council has begun to consider benchmarking, but that benchmarking against other similar asset holding organisations could be improved.

The Council has a ten year Repairs & Maintenance Strategy in place and was able to demonstrate a reduction from £122 million in 2007 to £105 million in 2009, 13.9% reduction. Also for properties in condition C and D (the worst categories) backlog repairs and maintenance was reduced from £99 million to £82 million from 2007 to 2009. Council owned houses are also being addressed, through the decent home standard. Performance has improved in this indicator with 82% of homes meeting the decent homes standard at 1 April 2006, 86% at 1 April 2007 and 88% at 1 April 2008. In addition the Council was able to demonstrate that the number of incidents reported to the Health & Safety Executive has fallen sharply.

The Council is now actively managing its assets and has introduced a programme of reviewing whether assets are required, fit for purpose and provide value for money through the New Ways of Working project. This involves reducing the office buildings estate from 52 to 17 within 5 years and reducing desk space by 30%. It is expected that the whole project will release £12.2 million over the next ten years for reinvestment and additional annual savings of £3.6 million thereafter.

Partnership and community working

The Council actively pursues opportunities to work with others - this is a strategic principle, and the Council works with other West of England authorities to seek investment in transport and infrastructure, with the Regional Development Agency, and with the Homes & Communities Agency to develop proposals for a local housing company.

A joint transport asset management plan has been developed with other local authorities. Work will now focus on preparing transport asset management plans for each authority.

Plans for shared use of assets was demonstrated through work with the City of Bristol College and alternative models of sharing, ownership and management through community asset transfers and neighbourhood partnerships. A recent example was the St Werburghs CAT - provision of a 35 year lease in order to make a joint application to the Community Assets programme. Also 14 neighbourhood partnerships have been set up to play an increasingly influential role in asset management issues. Going forward the Council will need to demonstrate that these initiatives have contributed to delivering improved outcomes for the residents and users of these assets through partnership working.

| Recommendation | |
|-----------------------|---|
| R15 | develop further the use of benchmarking to compare against other similar asset holding organisations. |
| R16 | demonstrate outcomes and VFM as a result of effective asset management through partnership working. |

5.4 KLoE 3.3 - Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?

This KLoE was not assessed in 2008-09, but will be assessed in 2009-10.

A Action plan

| No. | Recommendation | Priority | Management response | Implementation details |
|-----|--|----------|---|---|
| 1 | <p>Jointly consider how the Council can demonstrate how its strategic partnerships have resulted in more efficient use of resources, by lowering costs or delivering better outcomes for the population of Bristol.</p> | Medium | <p>Partnership work continues to develop, for example, with effective performance management of the LAA, (Annual Self Assessment Dec 09). Regular review reports to the Bristol Partnership Exec and quarterly reviews of progress against West of England Partnership priority activities, using to better joint effect the resources of key partners.</p> | <p>Jon House</p> <p>Reviewed on a quarterly basis incorporating both VFM and key outcomes.</p> |
| 2 | <p>Demonstrate VFM and improved efficiencies by:</p> <ul style="list-style-type: none"> • developing better understanding of costs across the organisation; • continuing to deliver greater improvements in priority areas and in high cost areas; and • delivering significant efficiency savings. | High | <p>The Council is continuing to review VFM across its services, this includes updating the VFM cost and performance matrix developed in 2008/09 and embedding in Service Delivery Plans.</p> <p>The Council is developing a good understanding of its costs across the organisation. The introduction of directorate health checks challenges performance and costs and identifies areas of improvement.</p> <p>Significant efficiency savings are being delivered by the City Council's Transforming Bristol Portfolio with delivered, agreed, savings of £1.7m in 2009/10 and more to follow in future years.</p> | <p>Will Godfrey</p> <p>March 2010</p> <p>There is an on going, regular programme of health checks. Round one completed and round two completed by March 2010.</p> <p>Final outturn reports and year end accounts 2009-10.</p> |

| No. | Recommendation | Priority | Management response | Implementation details |
|-----|--|----------|---|--|
| 3 | Ensure information is available to members to enable strategic challenge of VFM. | Medium | Systematic reporting to relevant Scrutiny Commissions and Audit Committee. Performance Clinics have identified issues around evaluating and improving VFM. VFM Strategy update to Informal Cabinet Briefing on 19-11-09. Draft document available in December 2009. Members review information. | Will Godfrey Draft strategy– December 2009 Other activities on-going |
| 4 | Ensure financial monitoring arrangements remain fit for purpose and meet the needs of the user. | Medium | The Council continues to ensure monitoring arrangements remain fit for purpose. Directorates continue to monitor key areas of risk on a monthly basis, reported to SLT and Cabinet. There is further reporting around areas particularly affected by the recession. Members review information. | Peter Robinson On going |
| 5 | Continue to consider how financial information presented to members can be improved and integrated with performance information, in order to facilitate decision making. | Medium | Executive Members receive monthly reports on financial outputs and performance. Further work is currently underway to strengthen the reporting links during the year. | Peter Robinson On going |
| 6 | A thorough review of the accounts, incorporating consistency checks, should be undertaken prior to the accounts being approved and presented for audit. | High | The Service Director Finance and the Corporate Finance Team will undertake a full QA process before the accounts are presented to Audit. | Peter Robinson April – June 2010 during the final accounts process |
| 7 | Ensure that arrangements are put in place to address the recommendations arising from our 2008-09 ISA 260 report on the financial statements. | High | There is a preliminary meeting in November 2009 with Grant Thornton to discuss these issues. Following this a detailed action plan will be agreed to address all recommendations. | Peter Robinson Meeting with Grant Thornton -November 2009. Continued, regular meetings between Corporate Finance & Directorate Finance teams through to year end. |

| No. | Recommendation | Priority | Management response | Implementation details |
|-----|---|----------|---|---|
| 8 | Develop outcome based commissioning throughout the Council, for both internal and externally provided services, which deliver improved outcomes as a result and involve local people and partners throughout the commissioning cycle. | High | The enabling commissioning programme has created a standardised framework and methodology for commissioning that will be used across the council and its partners. Information has been shared with South West regional partners. Significant work within Corporate Commissioning & Procurement and other Directorates to deliver effective commissioning across the Council. | Will Godfrey Report to SLT 22 December re Commissioning Programme. Five briefings already taken place between July and November 2009. Establishment of regional website. |
| 9 | Improve how the Council communicates and explains its commissioning and procurement approach to service users and the wider community. | Low | Stakeholder consultation at all stages of process. Open days and supplier sessions undertaken. Internal training sessions available to all commissioners. | Will Godfrey Stake holder consultation as a matter of routine. Supplier days in October & December 2009. More in early 2010 inc ICT procurement projects. |
| 10 | Develop a more widespread systematic approach to service redesign, which should be integral and embedded within the Commissioning cycle, evidenced by improved outcomes and VFM for service users. | Medium | Portfolio of major change programmes, reshaping Council services improving VFM. Portfolio Programme Project Management (PPPM) includes (i) Centre of Excellence. (ii) On going business analysis and process re-engineering and (iii) programme management | Will Godfrey Ongoing |

| No. | Recommendation | Priority | Management response | Implementation details |
|-----|---|----------|---|---|
| 11 | Develop the Council's understanding of the supply market for all services. | Medium | <p>A sophisticated level of supplier/market information is available via 'Procurement Research tool'. (Spend analysis & market activity).</p> <p>A sophisticated level of supplier/market information is available via the procurement research tool (Project). This provides expenditure analysis and marketing activity information covering all categories of spend including adult social care. This main category has been broken down into a series of sub-categories, including residential care home, nursing home, home care etc. Trends in historic expenditure, numbers of providers in markets (active and inactive) are graphically presented, and available in printed form. Further work is under way to provide more information on the providers in each market. Samples of reports can be provided.</p> | David Trussler Already in place. |
| 12 | Develop and agree an information security policy and ensure systems are in place to enable the Council to record any incidents or breaches of its policy or IT systems during the year. | Medium | Implemented. Information Security Policy agreed by SLT in November 2009. Arrangements are in place to record any breaches. | David Trussler The new policy was agreed in November 2009 |
| 13 | Demonstrate improvements and outcomes as a result of the improved performance management arrangements. | Medium | Nine Performance Clinics to date with a further three before March. Each completed clinic has a closure report demonstrating joint outcomes & improvements. Second round of health checks show clear improvements. | Jon House Nine performance clinics conducted, four of which have been closed. Further three to be delivered by March 2010. |

| No. | Recommendation | Priority | Management response | Implementation details |
|-----|--|----------|---|---|
| 14 | Develop and agree with its partners effective risk management arrangements, such as joint risk registers, that support the delivery of partnership outcomes. | High | <p>Bristol Partnership Exec Board to agree strengthened joint risk management system on 30-11-09, including overarching BP risk register. All five partnership boards have risk registers at a minimum in draft, all to be signed off by Partnership Boards by the end of January 2010.</p> <p>Bristol Partnership Challenge Group will receive overarching risk register and report to Exec Board on a quarterly basis.</p> <p>WoEP Strategic risk register to be considered by Leaders'/Chief Executives' meeting.</p> <p>Public sector partners are meeting to review partnership risks and report on a regular basis.</p> | <p>Jon House</p> <p>Joint risk management system agreed 30 November 2009.</p> <p>All risk registers agreed by January 2010.</p> <p>On going</p> <p>8 December 2009.</p> <p>Meetings in July, October and December 2009 with Bristol Partnership. Meetings every two / three months with WoEP.</p> |
| 15 | Develop further the use of benchmarking to compare against other similar asset holding organisations. | Medium | Work with Core Cities to agree a benchmarking protocol. Joint Audit Commission pilot on VFM for office accommodation. | <p>Peter Robinson</p> <p>Meeting planned in January 2010 with Core Cities to cover both issues.</p> |
| 16 | Demonstrate outcomes and VFM as a result of effective asset management through partnership working. | Medium | Report to Leaders Portfolio Briefing on Community Asset Transfer Policy and the audit of community assets. Produce Local Asset Management Plan. | <p>Peter Robinson</p> <p>Reports to Leaders Briefing in November 2009 and January 2010. LAMP on going.</p> |

B CAA and the 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:

| 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.

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 |

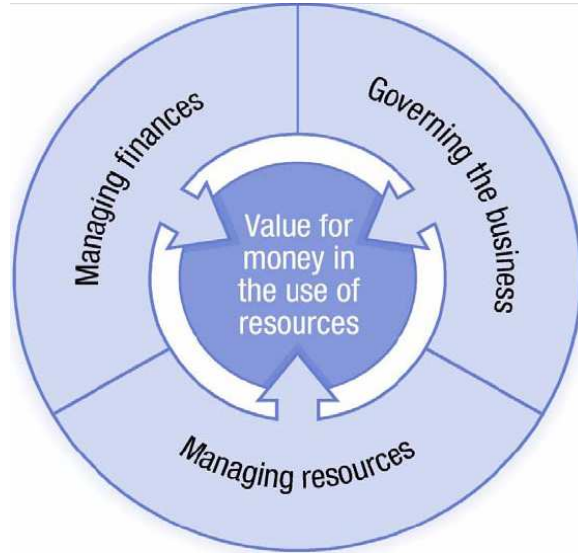
Source: *Audit Commission*

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 Scoring criteria and rules

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

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

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 3,2 = theme score of 3. KLoE scores of 2,3 = 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 KLoEs specified for assessment in 2008-09 and 2009-10

Some KLoEs are assessed on a rotating basis. The table below summarises the KLoEs that were assessed and formed the basis for the VfM conclusion in 2008-09.

| 2008-09 | | Single tier or county council | District Councils | NHS PCTs |
|---|-------------------------------|-------------------------------|-------------------|----------|
| Theme 1 - Managing finances | | | | |
| 1.1 | Financial planning | Y | Y | Y |
| 1.2 | Understanding costs | Y | Y | Y |
| 1.3 | Financial reporting | Y | Y | Y |
| Theme 2 - Governing the business | | | | |
| 2.1 | Commissioning and procurement | Y | Y | ∞ |
| 2.2 | Use of data | Y | Y | Y |
| 2.3 | Good governance | Y | Y | Y |
| 2.4 | Internal control | Y | Y | Y |
| Theme 3 - Other resources | | | | |
| 3.1 | Natural resources | Y | N | N |
| 3.2 | Asset management | Y | N | Y* |
| 3.3 | Workforce management | N | Y | Y |

* only assessed at PCTs with a significant asset base.

∞ For PCTs, KLoE 2.1 will form a relevant criterion for the purposes of the VfM conclusion but not a scored KLoE for the use of resources assessment. Evidence for the VfM conclusion is expected to be drawn from the World Class Commissioning assurance framework, findings from Auditors' Local Evaluation work in 2007/08 and any other work undertaken locally.

For the 2009-10 assessment, the following KLoEs will be assessed and will form the basis for the VFM conclusion. Scores achieved in 2008-09 will continue to apply for 2009-10 for those KLoEs not being assessed in year 2.

| 2009-10 | Single tier or county council | Districts | NHS PCTs |
|---|--|------------------|-----------------|
| Theme 1 - Managing finances | | | |
| 1.1 | Financial planning | Y | Y |
| 1.2 | Understanding costs | Y | Y |
| 1.3 | Financial reporting | Y | Y |
| Theme 2 - Governing the business | | | |
| 2.1 | Commissioning and procurement | Y | Y |
| 2.2 | Use of data | Y | Y |
| 2.3 | Good governance | Y | Y |
| 2.4 | Internal control | Y | Y |
| Theme 3 - Other resources | | | |
| 3.1 | Natural resources | N | Y |
| 3.2 | Asset management | Y | N |
| 3.3 | Workforce management | Y | Y |

∞ For PCTs, KLoE 2.1 will form a relevant criterion for the purposes of the VFM conclusion but not a scored KLoE for the use of resources assessment. Evidence for the VFM conclusion is expected to be drawn from the World Class Commissioning assurance framework and any other work undertaken locally. Further details are available at the Audit Commission's website at:

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

E Identifying outcomes, outputs 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 by demonstrating excellent processes. The table below gives generalised examples of the types of outcome that have led to higher scores.

Table 4: Illustrative examples of outcomes, outputs and achievements 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 |
| 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 one-to-one 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; and
- if you are having difficulty then discuss the area with your UoR auditor.

Engagement in the assessment process

The PCT engaged fully with the assessment process in 2008/9. Multi-agency training workshops were held early in the process and were attended by the PCT. A self assessment was completed to support level 2. Detailed interviews were held to identify outcomes in line with the PCTs' ten strategic objectives. Going forward we consider that the PCT would benefit from our closer involvement in the identification of outcomes across all KLoEs.

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 UK LLP 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; and
- undertaken a detailed final quality assurance process including statistical analysis across suppliers, regions and types of organisation.

Grant Thornton has:

- provided internal 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 to each other and with their regional neighbours; and
- undertaken detailed review and quality control of scores and conclusions.

F Use of Resources Timetable 2009-10

| | 2009-10 NHS | 2009-10 Councils, police and fire |
|-----------------------------------|-------------------------|--|
| Area Challenge | | |
| EDC submission (indicative) | By 26 March 2010 | By 21 April 2010 |
| SHA area challenge | 12-23 April 2010 | n/a |
| LG area challenge | n/a | 10-21 May 2010 |
| National Quality Assurance | | |
| EDC submission (final) | By 2 July 2010 | By 30 July 2010 |
| NQA process | 5-30 July 2010 | 2-27 August 2010 |



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