

Use of Resources - findings and conclusions 2008/09

Derby City Council

25 November 2009

Draft

Contents	Page
1 Key messages	1
2 Overview of scores	4
3 Identifying outcomes, outputs and achievements	6
4 Managing finances	9
5 Governing the business	13
6 Managing resources	19
 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 Use of Resources Presentation	

1 Key messages

1.1 Introduction

Under the Audit Commission's Code of Audit Practice we are required to reach a conclusion on whether Derby City Council ('the Council') has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion'). In addition, auditors are required to score councils' performance in this area as part of the Comprehensive Area Assessment (CAA). 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 (June 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 and specified 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.

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

1.2 Context

In 2009, the Audit Commission introduced a new framework and methodology for 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 an objective change in performance. We presented the changes in the regime to your officers at a training workshop in December 2008 and have been meeting regularly with our key contacts within the Council to ensure the new approach became established as efficiently as possible. Further detail about the new framework and the link to CAA are set out at Appendix B.

1.3 Key messages

- 1.3 The Council's UoR scores in the three themes are summarised in the table below. A score of 2 indicates performing adequately and a score of 3 indicates performing well. Scores of 1 and 4 are possible under the regime but were not awarded at the Council this year. For a full explanation of scoring criteria, please see Appendix C.

Table 1: UoR scores

Theme	2008/09 score
1 Managing finances	2
2 Governing the business	3
3 Managing resources	2

We have assessed the Council as meeting at least minimum requirements in all areas. The Council has been assessed at level 2 for managing finances and managing resources and level 3 for governing the business. In particular, the Council has good arrangements in place for the use of information and securing good data quality. The Council also has good partnership arrangements in place for securing good governance and risk management.

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

- the Council needs to demonstrate a broader set of outcomes of reductions in costs and / or improvements in services as a result of the decision-making process (e.g. benefits derived from the DECATS review);
- the implementation of a fully integrated asset management system should provide a platform from which the Council will be able to develop further its strategic asset management approach in future years; and
- the Council needs to ensure that it can demonstrate reductions in the levels of natural resources used in 2009/10 (e.g. CO2 emissions, water consumption and air quality).

Further details of work to support our 2008/09 UoR assessment are given in section two.

1.4 Next steps

We will continue to work with the Council during the year to help prepare for the 2009/10 UoR assessment. For further details on next year's assessment, please see Appendix D.

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 Standing Guidance to Auditors 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 UoR 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 officers during the course of this audit.

2 Overview of scores

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 Derby City 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 and is based on assessing the Council against a number of Key Lines of Enquiry (KLoEs), which are prescribed by the Audit Commission and applied at all Councils, Police Forces, Fire Authorities and NHS PCTs.

2.2 Approach to the audit

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

2.3 2008/09 UoR assessment

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

Table 2: UoR theme and KLoE scores

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

Please note that:

- some KLOEs have an overriding impact on theme scores (see Appendix C for more details of scoring criteria and arrangements); and
- different KLOEs are specified for assessment each year and across types of organisation (see Appendix D for details).

2.4 2008/09 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 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 Derby City Council, proper arrangements were in place to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

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

3 Identifying outcomes, outputs and achievements

3.1 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 3: Illustrative examples of outcomes, outputs and achievements by KLOE

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

	Outcome	Output	Achievement
KLOE 3.2	Improving condition of assets	Income from disposal of unwanted assets	Better office accommodation
KLOE 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, as these should be identified and captured through existing management activity;
- 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; and
- there may not be a 1-2-1 relationship between processes and outcomes. There may be a small number of outcomes that arise as the net effect of processes across a KLOE area.

3.2 Engagement in the assessment process

Our workshop to introduce the new UoR framework to our appointed audited bodies in December 2008 was attended by key officers from the Council. We held regular update meetings with the Council's appointed UoR lead and other key officers throughout the review process and worked closely with the Council to facilitate the completion of a comprehensive self-assessment with relevant supporting evidence.

In addition to this report, we have also produced a presentation for the Council's Audit Committee and Cabinet, which are included at Appendix E. This presentation also includes a summary of national score comparisons for 2007/08 and 2008/09.

For the 2009/10 assessment, we will continue to work closely with your officers in the identification of outcomes and supporting them in telling "the story" of Derby.

3.3 Our approach to ensuring consistency

In line with the Audit Commission's move to CAA, 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 a detailed review and quality control process of our scores and conclusions.

4 Managing finances

Theme summary

The overall score of 2 for managing finances comprises scores of level 3 for KLOE 1.1 and level 2 for KLOE 1.2 and KLOE 1.3.

KLOE 1.1 - Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health? LEVEL 3

Overall, the Council is performing well in this area. Based on knowledge from previous UoR assessments, evidence to support this years UoR assessment and other audit work, we are satisfied the Council has sound arrangements in place and can demonstrate clear outcomes and VFM achievements across the KLOE focus points.

Financial planning and medium-term financial planning

The Council has a well established integrated financial and corporate planning process, which is agreed by Cabinet each year. Initial confirmation of priorities is followed by integrated planning for the budget and Corporate Plan. The key aspects of this are an integrated process and timetable for the development of the Corporate Plan, service business plans and budgets 2009/10 to 2011/12 and joint consultation commencing earlier in December.

The Corporate Plan - Action Plan articulates how the Council will achieve its priorities by setting out actions, measures, risks and funding streams. This provides the starting point for service business planning. In this way, budget proposals are integrated into corporate planning processes.

We were satisfied that the Council could also demonstrate how its effective financial planning has contributed to:

- a sustained focus on priorities, by shifting resources from low to high priority areas (e.g. NEAT teams, Public Realm, LPSA reward bidding process, support to carers, Connecting Derby);
- the timely, efficient completion and approval of the annual budget;
- a good track record in maintaining and delivering a balanced budget;
- a structured medium-term approach to delivering savings and a good track record of achieving efficiencies; and
- a well managed capital programme linked to priorities and service improvements.

Engaging with stakeholders

We are pleased to note that the 2009/10 revenue and capital budget planning and corporate planning processes ran in parallel and incorporated an extensive programme of budget consultation and was, in our opinion, an effective consultation exercise.

An example of an outcome from this process for 2009/10 was that the Council has increased the allocation to each Neighbourhood Forum & Board to spend on local priorities to £26,000. The

additional allocation is to address footway maintenance identified as a priority from the budget consultation process.

Managing spending

The Council's forward financial planning process identifies any shortfalls in resourcing and underlying cost pressures in the medium-term e.g. utilities, job evaluation etc. Monitoring is robust and timely. The outturn for 2008/09 was a net underspend of £1.164m.

The Council has a track record of delivering its budget, whilst channelling resources towards priority areas. Core services such as Children and Young People and Adult Social Care have performed well in external assessments despite an increasingly challenging budget position.

Financial governance

Respective responsibilities for budget setting and management are clearly defined and communicated, as specified in the Council's Financial Procedure Rules, departmental Schemes of Delegation and budget process guidance. There is a strong understanding of the Council's financial environment across Chief Officer Group and Cabinet. These groups take clear responsibility for financial matters.

KLOE 1.2 - Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities? LEVEL 2

Overall, the Council is performing adequately. Whilst the Council has sound arrangements in this area, more needs to be done before it can demonstrate clear outcomes and VFM achievements as a result of these arrangements. In particular, the Council needs to demonstrate a broader set of outcomes of reductions in costs and / or improvements in services as a result of the decision-making process (e.g. benefits derived from the DECATS review).

Understanding costs

The Council has a good understanding of its costs and performance. Value for money analysis has been undertaken in terms of high/low performance and cost and this has informed the budget process. The analysis was based on quartile performance against the Council's peer group and CIPFA statistics and has drawn upon the unit/transaction level costing exercises undertaken regularly by service departments.

All new capital projects are subject to an investment appraisal process, which includes an evaluation of risks and the relative costs. It is a condition that major schemes funded from the corporate capital programme can not commence until a full Business Case has been completed and approved by either the Corporate Asset Management Group or the Public Realm Board. Detailed options appraisals are also undertaken for major projects such as Building Schools for the Future (BSF) where Partnership for Schools and the Council's Gateway 'Zero' review have both made reference to the significant level of resource the Council has committed to this programme, and its joint waste management procurement project with Derbyshire County Council.

The key outcome in this area is the fact that Derby City Council continues to charge the lowest Council Tax in the East Midlands, as it has done for a number of years. For 2008/09 the Council Tax set by the Council remains in the lowest 3 in the comparator group.

Decision-making

Monitoring of portfolio budgets on Performance Eye was piloted during 2007/08 and implemented fully in 2008/09. Quarterly performance reports for the Chief Officer Group (COG) and Cabinet were focused on Cabinet portfolios to inform decision making by Cabinet members. Members and officers have online access to Performance Eye and Cabinet members have received training in the last few months on the budget scorecards, to enable interrogation.

Comparative performance information is used to inform the selection of underperforming indicators for challenge and used as part of the surgery process to evaluate performance and target setting.

Making efficiencies

The Council actively seeks and evaluates new ways of delivering services to achieve efficiencies, for example using business process re-engineering techniques to improve processes and structures through its Transforming Derby programme e.g. Customer Service Improvement Programme.

Savings targets are built into the Corporate Plan supported by clear actions to achieve them. Quarterly performance reports encompass both performance and budget variances which informs decisions made by senior officers and members. Quarterly monitoring takes place on budget savings. The Council has had a good track record in delivering Gershon savings in recent years.

The Council needs to be able to demonstrate more outcomes in the focus areas of decision-making and making efficiencies to achieve a score of level 3 for this KLOE.

Recommendation 1

The Council needs to demonstrate a broader set of outcomes of reductions in costs and / or improvements in services as a result of the decision-making process (e.g. benefits derived from the DECATS review).

KLOE 1.3 - Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people? LEVEL 2

Overall, the Council is performing adequately. The key focus area where it needs to demonstrate improved outcomes to achieve level 3 overall for this KLOE is the preparation of accounts where the Council failed to meet minimum requirements in 2008/09.

Financial monitoring and forecasting

The Member Portfolio Reporting Structure is used as the basis for the Council's financial monitoring reports. In addition, the Director of Resources receives a monthly summary monitoring update. Financial monitoring is timely, reflects accruals, includes forecasts and variance analysis.

Integrated performance reports are derived from performance and financial monitoring information which is input into Performance Eye and is accessible to all members and officers through Derbynet.

Using fit-for-purpose financial reports to monitor performance and support strategic decision making

Where appropriate, financial transactions and implications are reported to Cabinet through the Contract and Financial Procedure Rules report, which is a standard agenda item. In addition, all service reports to Cabinet seeking Cabinet approval include a section on Financial Implications.

Publishing reports

The 2008/09 Annual Report was produced within 'Your Derby' with one double page on performance, service outcomes and financial outturn. Your Derby is circulated to all residents of Derby and is also available on the Council's website. The website includes feedback channels.

Preparation of accounts

A number of fundamental misstatements were identified during the course of our audit testing resulting in a £117m (9.7%) reduction the carrying value of tangible fixed assets at 31 March 2009.

Procedures to confirm the Fixed Asset Register (FAR) had been accurately updated for assets valued during 2008/09 identified the following matters:

- a number of valuation reports selected for testing could not be traced to the FAR, initially suggesting that the FAR may be incomplete; and
- input errors had occurred when the FAR was updated for the 2008/09 valuations.

As a result, the Council undertook an exercise to match the FAR to the Estates Department register and to check all in year valuations to valuers' certificates.

Matching of the FAR to Estates Department records identified that they were broadly consistent but in some cases had used differing levels of aggregation, descriptors and were allocated to different asset categories. The exercise did however identify a number of assets that required adding to or removing from the FAR, amounting to £0.8m and £2.7m respectively. The impact of these adjustments on Government grant deferred was also assessed. Subsequent re-performance of our audit procedures on the revised FAR identified no further issues.

It is, however, pleasing to report that the overall quality of the Council's working papers presented for audit was considerably improved from 2007/08 and the Council presented its accounts by the 30 June 2009 deadline.

Whilst the Council has failed to meet the minimum requirements for this aspect of the assessment, we are satisfied that arrangements in the other focus areas 'perform well', and have concluded that, on balance, the Council 'performs adequately' against the headline KLOE requirements.

Recommendation 2

The Council should strongly consider the introduction of an integrated asset management system.

5 Governing the business

Theme summary

The Council has been assessed at level 3 for governing the business, which comprises scores of level 3 for KLOE 2.2, KLOE 2.3 and KLOE 2.4 and a score of level 2 for KLOE 2.1.

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? LEVEL 2

Overall, the Council is performing adequately but needs to improve outcomes in the following focus areas: clear vision of expected outcomes; improvement through service redesign; and reviewing service competitiveness and achieving value for money and wider objectives.

Clear vision of expected outcomes

Outcomes for local people are identified clearly in the Council's Corporate Plan and Sustainable Community Strategy (SCS) which are used to inform Departmental Business Plans and Service Plans.

However, the Council should have joint commissioning plans in place supported by the appropriate infrastructure and be able to demonstrate that progress is being made against these plans in practice.

Extensive involvement in Commissioning

The Council and its partners undertake a range of consultation and engagement initiatives to ensure that all sections of the community – including those who are hard to reach – help to inform the development of priorities for the city and shape the way services are provided.

Improvement through service redesign

The Council has just completed a re-tender for the IT facilities management contract that included a year-on-year 3% cash efficiency saving.

However, the Council needs to be able to demonstrate improved outcomes resulting from service redesign (e.g. improved waiting times and customer satisfaction as a result of customer service centre implementation).

Understanding the supply market

Procurement plans take into account a detailed analysis of the status of the supply market and tender requirements are packaged to maximise the level of response from suppliers.

The Council has therefore improved its awareness of the contracting opportunities to suppliers and supported them in their ability to participate in its procurement processes.

Evaluation of procurement options

As part of the procurement process, options appraisals are undertaken to identify the most effective and compliant procurement route.

Reviewing service competitiveness and achieving value for money and wider objectives

Service reviews are undertaken to assess value for money and to consider alternative procurement opportunities to reduce costs. For example, we were satisfied that the review of transport services in Adult Social Services demonstrated cost savings.

However, the Council needs to demonstrate a clear rationale for insourcing / outsourcing decisions for key services.

Recommendation 3

The Council needs to ensure that it is able to demonstrate outcomes, outputs and achievements for local people as a result of the arrangements in place to commission and procure quality services and supplies tailored to suit local needs.

KLOE 2.2 - Does the organisation produce relevant and reliable data and information to support decision making and manage performance? LEVEL 3

Overall, the Council is performing well in this area.

Produces relevant and reliable data and works with partners to secure data quality

The Council's Performance Management Strategy and Data Quality Policy clearly set out data quality roles and responsibilities across the Council and Partnership. The Policy articulates the Council's approach and data quality standards, which reflect the six dimensions of good data quality as laid down by the Audit Commission. The Policy also includes an action plan to improve overall arrangements and is monitored regularly by the Partnership Performance Group and Audit & Accounts Committee.

It is pleasing to note that data quality is a core requirement of business plans so each department is required to include a specific objective around data quality and actions supporting this. Data quality is also integrated into the Corporate Plan and risk register.

However, the Council needs to develop further partnership arrangements for data quality protocol and continue to provide evidence of data quality issues that it has identified and fixed with partners.

Provides information which supports the decision making process

The format of performance reports is subject to continual review. In 2008/09, both Cabinet and Partnership performance reports were improved following feedback from the Partnership and members.

Performance reporting is based on information derived from the Performance Eye system and it is a strength of the Council's arrangements that key partner organisations are able to view and edit information in the system.

Ensures data security and compliance with statutory requirements

The Council has a comprehensive set of security policies and procedures in place with regular reminders covering key messages with regard to data security. The Council has designated individuals responsible for authorising non standard access requests to applications and mailboxes.

The Council has a designated Data Protection Manager and team responsible for FOI and carrying out associated training. To date only one FOI request has exceeded the statutory time limit of 20 working days. In addition, a facility to securely share personal and sensitive data with partner agencies has been introduced.

Monitors performance against priorities

The Council's Performance Management Strategy sets out the framework for managing performance across the Council and Partnership. The strategy is based on core principles of strong leadership, clear accountabilities, robust information, active management of performance and support for managers.

Key performance indicators are assessed to be those included in the LAA, wider National Indicators and measures and milestones reported in the Corporate Plan Action Plan. This includes both qualitative and quantitative information, covering corporate health, equalities, customer service and value for money.

Target setting is subject to rigorous challenge for all indicators, with presentation of contextual information and quartile data required. Targets are consistent across strategies and link with corporate priorities.

Recommendation 4

The Council needs to develop further partnership arrangements to identify and resolve data quality issues.

Housing benefits data quality results

In reaching conclusions for KLOE 2.2, we also considered the results of the data quality aspects of our work on housing benefits. Following testing of 80 claimants, we were broadly satisfied with the service-specific management arrangements and systems. However, the following data quality issues were noted in relation to:

- 8 cases where the number of days was incorrect which resulted in an adjustment of 23 days (1.22%); and

- 8 cases where the classification (i.e. new claim or change of circumstance) was incorrect.

The error rates above are deemed to be immaterial and, as a result, it is our rounded judgement that arrangements are adequate for benefits data quality. However, the Council should provide update training for benefits staff to improve further the quality of benefits data.

Recommendation 5

The Council needs to provide update training for benefits staff to ensure that classifications and dates are correctly recorded for benefits claims.

KLOE 2.3 - Does the organisation promote and demonstrate the principles and values of good governance? LEVEL 3

Overall, the Council is performing well in this area.

Principles of good governance

The Audit and Accounts Committee is the member body charged with Governance. The Council has set-up a Governance Working Group to review its Governance Framework, produce the Local Code of Corporate Governance and oversee the production of the Annual Governance Statement.

Purpose and vision

The Council's vision is set out in the Corporate Plan. The vision reflects the overall partnership vision for the city which is set out in the Sustainable Community Strategy. Both the Corporate Plan and the Sustainable Community Strategy have been developed following extensive consultation with residents and partners. In line with good practice, the Council operates a range of forums to engage with minority and vulnerable groups. Neighbourhood Boards and Forums also provide an opportunity to seek the view of a range of stakeholders from across the city.

Ethical framework and culture

The Council has put in place arrangements to ensure that systems and processes are designed to conform to ethical standards. Member and Officer behaviour is governed by Codes of Conduct (including guidance on members' expenses) and the conduct of Members is monitored by a Standards Committee.

Partnership governance

The Partnership Register is a key element of the Council's arrangements in this focus area. It identifies partnerships that the Council is associated with; it details the legal status of these partnerships and what department they sit under. The Council's significant or 'high risk' partnerships are identified in the Partnership Register and appropriate safeguards put in place. We are pleased to note this level of proactivity.

However, it is important that the Council continues to develop further governance arrangements for all relevant partnerships to ensure that outcomes for local people continue to be delivered.

Recommendation 6

The Council needs to develop further governance arrangements for all relevant partnerships to ensure that outcomes for local people continue to be delivered.

KLOE 2.4 - Does the organisation manage its risks and maintain a sound system of internal control? LEVEL 3

Overall, the Council is performing well in this area.

Risk management

The Council's Risk Management Strategy requires that consideration of risk is embedded in all key management processes undertaken. A Risk Management Handbook is available on the intranet for all staff to access. This details the Council's risk management methodology.

The Council's insurers (ZM) have provided funding to assist in further improving risk management. A proportion of this has been used to purchase a dedicated electronic risk register (JCAD Risk). The Council is also working closely with ZM to develop training for specific risk areas e.g. procurement, partnerships etc. It also includes specific training for members of the Council's Strategic Risk Group and an electronic package for Member Training.

However, the Council needs to continue to develop risk registers at LSP level ensuring that these are reviewed at a regular frequency and that appropriate action is taken as a result.

Counter fraud and corruption arrangements

The Council has an Anti-Fraud and Corruption Strategy approved by Audit and Accounts Committee which is available via the Governance pages of the website and via DerbyNet. The Council has a pro-active programme of counter fraud and corruption work, which is adequately resourced, risk based and proportionate, and which aims to create a zero tolerance culture.

The Council promptly investigates potential cases of fraud or corruption using suitably trained and skilled staff. The Council has a policy on the application of sanctions and seeks to recover losses where fraud or corruption is proven.

System of internal control

The Council has a sound system of internal control which is underpinned by the Audit and Accounts Committee, an effective internal audit service, which complies with CIPFA Standards, and both Financial and Contract Procedure Rules.

The Annual Governance Statement (AGS) is an open and honest self-assessment of the Council's governance framework and its performance across all of its activities. The AGS outlines actions taken to improve the governance framework, as well as those required to address areas of concern raised.

The Audit and Accounts Committee provides an objective and independent scrutiny of the Council's governance arrangements. Both the Chair and Vice-Chair have a good understanding of risk management.

Recommendation 7

The Council needs to continue to develop risk registers at LSP level ensuring that these are reviewed at a regular frequency and that appropriate action is taken as a result.

6 Managing resources

Theme summary

The Council has been assessed at level 2 for managing resources, comprising scores of 2 for KLOE 3.1 and KLOE 3.2.

KLOE 3.1 - Is the organisation making effective use of natural resources? LEVEL 2

Overall, the Council is performing adequately. The key areas to address in the future are CO2 emissions, water consumption and air quality and provide evidence of reductions in usage as a result of actions undertaken by the Council to demonstrate level 3 performance.

Understanding and quantifying the use of natural resources

The Council has used its assessments of its own use of natural resources and its impacts on the environment to further develop strategies, and to formulate policies and delivery plans in this area.

The Council's Environmental Policy is its 'headline' document, which identifies the main aims the Council needs to achieve to reduce its impact on the environment and its use of natural resources.

The Council's Carbon Emissions Final Baseline Report, June 2008 and the Energy Savings Trust's, Derby City Council - Local Area Carbon Emissions Reduction Report March 2009, quantify what the Council's energy usage is, where its main CO2 emissions arise, and how they can be reduced. This is being achieved through action plans and work programmes, particularly, the Corporate Climate Change Action Programme, which outlines specific areas of work.

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

The Council has set targets in certain areas to reduce its impacts on the environment. The main areas for analysing and measuring progress on achieving this has been through the following processes / strategies:

- Action Programmes such as the Corporate Climate Change Action Programme which guides the work of the Climate Change and Energy Management Unit. The Action Programme incorporates targets, and dates to achieve them by. For example, gearing up for the national Carbon Reduction Commitment, CRC, scheme, and assessing the wind energy generation of Council owned land, with a report ready by the end of March 2009.
- Environmental Management System (EMS), ISO 14001 for a) Pride Park reclaimed land and b) Environmental Services Department.

- The Council's Carbon Dioxide Emissions Baseline study.
- Plans and reports such as the Minerals Local Plan, Derbyshire Waste Local Plan, and reports by the Council's Climate Change Board and its Climate Change Commission.
- Council's Climate Champions energy monitoring of Council buildings and associated target reduction displays.
- Sustainable Procurement Policy and Checklist.
- Derby Nature Conservation Strategy and Derby Greenprint.
- NI188 is now at level 2 under the LCLIP project.
- Incorporating sustainable features in building design of some of the Council buildings' e.g. high levels of thermal insulation, solar thermal hot water, CHP systems, biomass boilers, HF lights, planned hydro – Longbridge Weir etc.

The Council has a good and ongoing working relationship with all of its partners and works closely with them to manage environmental risks and to conserve and enhance the natural environment.

One current example of the Council working effectively with its partners is that of its work with Derby City Partnership to reduce the city's per capita CO2 emissions, under National Indicator 186.

Recommendation 8

The Council needs to ensure that it can demonstrate reductions in the levels of natural resources used in 2009/10 (e.g. CO2 emissions, water consumption and air quality).

KLOE 3.2 - Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs? LEVEL 2

Overall, the Council is performing adequately. Based on knowledge from previous UoR assessments, evidence to support this years UoR assessment and other audit work, we are satisfied the Council has sound arrangements in place but is not yet able to demonstrate clear outcomes and VFM achievements across all of the KLOE focus points.

Strategic approach

The strategic management of the Council's assets is driven by understanding and acting upon the property implications of the Council's objectives and assessing the relationship of property with service delivery and other key resources. It is important that the property portfolio positively contributes to delivery of these objectives, meets the needs of service delivery to residents and plays its part in sustaining the continuous success of the city. The strategic approach to asset management is documented in the Corporate Asset Management Plan 2007-10 (CAMP) which was formally

updated and reviewed and reported to Cabinet in February 2009 - Corporate Asset Management Plan - update and review October 2007 to January 09.

Linked closely to the CAMP is the Capital Strategy 2008/11 which sets out a framework for the development of the Council's capital programme over the 3 years. The major issues it seeks to develop are linkage with the revenue budget strategy, earmarked funding of the accommodation strategy, continuation of major schemes consistent with the Council's Corporate Plan and active pursuit and allocation of capital receipts. The strategy is formally reviewed annually and approved by Members but is also constantly under review and revisions are regularly approved by Cabinet.

Managing assets to provide VFM

The Council's Property Strategy is "to develop a lean and well planned property portfolio that enhances service delivery and meets Corporate Priorities and Objectives by challenging the use, management and retention of all property holdings".

The following main data sources are currently kept by the Council:

- Evolution asset management system – under review – core data, areas, condition surveys.
- Asset Register – Property values and CIPFA categories.
- Mapping System – ownership records, tenures and maps
- Suitability records.
- Estates Red Book – lease information.
- Condition surveys.
- Mechanical and electrical service information.
- Energy performance information.
- Oracle – financial system – expenditure and property costs.

Under the declaration for climate change the Council has committed to reducing carbon emissions by 25% by 2011. Council buildings are estimated to account to around 63% of these emissions and are therefore key to delivery of the necessary reduction. Asset management is pivotal in ensuring that buildings are procured, maintained and managed in ways that minimise their environmental impact and still meet the service requirements.

In addition, we have considered the impact of the issues identified from our accounts audit relating to the Council's Fixed Asset Register, in arriving at our assessment of strategic asset management. We do not consider that these matters have impacted on KLOE 3.2, but note that this will remain

an area for the Council to develop in the future.

Partnership and community working

Outcomes for Derby are identified and delivered through partnership working in accordance with the Sustainable Community Strategy, Local Strategic Partnership, the new Performance Framework and the Local Area Agreement.

Derby City Partnership is currently establishing an Infrastructure and Asset Management Group. The purpose of the group will be to ensure that the partnership takes a leading role in co-ordinating and aligning resources for the delivery of our new social, physical and green infrastructure, as well as effectively managing our existing physical assets. Planning Together (CLG 2009) highlights this role and recommends that LSPs set up a group for infrastructure planning and asset management as part of their structure. This group will be critical to delivering the ambitions of our Sustainable Community Strategy and will involve working closely with the local authority's planning function.

In addition to local strategic and operational collaboration officers also share knowledge, information and best practice on a national level by actively participating in the Institute of Public Finance Asset Management Network and as part of the Octopus benchmarking group.

There is a long tradition of social services officers working collaboratively with staff employed by the Health Authority. Space sharing occurs at a number of buildings owned by both authorities and a recent relocation of staff was to space adjoining health service premises. There has already been one very successful project delivered by the Southern Derbyshire LIFT co and other opportunities are being considered.

Recommendation 9

See recommendation 2. The implementation of a fully integrated asset management system should provide a platform from which the Council will be able to further develop its strategic asset management approach in future years.

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 applicable for single tier authorities and county councils in 2008/09 but will form part of our 2009/10 assessment.

Recommendation 10

The Council needs to ensure that it has sound arrangements in place to demonstrate that it is 'getting the basics right' for workforce management in 2009/10.

A Action plan

No.	Recommendation	Priority	Management response	Implementation details
1	<p>KLOE 1.2 - Costs and performance</p> <p>The Council needs to demonstrate a broader set of outcomes of reductions in costs and / or improvements in services as a result of the decision-making process (e.g. benefits derived from the DECATS review).</p>	High	<p>Both monthly COG updates and regular joint reporting to Cabinet includes an update on the delivery of budgeted savings.</p> <p>The Council is launching a new Balanced Scorecard approach to performance measures from April 2010 which will demonstrate performance against a broader range of outcomes e.g. customer service.</p> <p>Further performance measures will be developed as part of the One Derby One Council transformation programme.</p>	<p>A number of service related value for money local PI's will be included in departments business plans and balanced scorecard for 2010/11.</p> <p>Savings realisation policy to be in place for 2010/11 for One Derby One Council projects and other efficiency projects. This will include the process for measuring actual outcomes against budgeted target savings and savings estimated in individual business cases.</p>

No.	Recommendation	Priority	Management response	Implementation details
2	<p>KLOE 1.3 - Financial reporting</p> <p>The Council should strongly consider the introduction of an integrated asset management system.</p>	High	<p>This has already been agreed as a key One Derby One Council project.</p> <p>However, this will not be in place for the closure of the 2009/10 accounts. There is a need to improve system maintenance procedures and reconcile the base asset date before any new system is implemented.</p> <p>Urgent action is now in progress to address these areas during 2009/10.</p>	<p>Fixed Asset Register (FAR) action already taken:</p> <ul style="list-style-type: none"> • Introduction of a unique reference number on the FAR; • One common file on a shared drive with restricted access; and • Monthly reconciliation to financial and Estates data and sign-off by the Group Accountant (Capital). In future this will also include sign-off by the Asset Manager in Estates. <p>The action in progress is as follows:</p> <ol style="list-style-type: none"> 1) Agreement between Estates Property and Accountancy to using one existing system as the primary record for the Asset Register until such time as a new system is implemented. Deadline: 30 November 2009. 2) Asset management policies including the disposal policy to be reviewed and managed through the strategic asset management group. To include a set of pro-formas to aid the control and audit trail of the asset register changes. Asset management system maintenance procedures will be developed in line with this. 3) Documented procedure on the maintenance of the FAR including responsibilities. Deadline: 31 December 2009 4) LSP Infrastructure and Asset Management Group to be established in January 2010 -initial meeting 30.11.09.

No.	Recommendation	Priority	Management response	Implementation details
3	<p>KLOE 2.1 - Commissioning & procurement</p> <p>The Council needs to ensure that it is able to demonstrate outcomes, outputs and achievements for local people as a result of the arrangements in place to commission and procure quality services and supplies tailored to suit local needs.</p>	Medium	<p>Use of outcome based specifications and involvement of service users in the commissioning process has increased in a number of areas across the Council. This needs to be rolled out on a wider basis and better contract monitoring is required to record the outcomes and outputs that are being achieved.</p>	<p>Increase capacity to utilise outcome based processes and stakeholder consultation in the development of specifications.</p> <p>Improve contract management and monitoring skills and systems to ensure evidence is captured and reported.</p> <p>Develop and deliver training for Officers to implement the above.</p>
4	<p>KLOE 2.2 - Use of information & data quality</p> <p>The Council needs to develop further partnership arrangements to identify and resolve data quality issues.</p>	Medium	<p>Significant work has been undertaken already to raise the profile of data quality at Partnership level, including the approval of a Partnership wide Data Quality Policy.</p> <p>LSP established strategic Intelligence Group with key partners to coordinate data and quality.</p>	<p>This has been incorporated within the Data Quality Action Plan (which is monitored by both the Partnership Performance Group and the Audit and Accounts Committee). It is also planned to take a report to DCP Management Group by March 2010.</p>

No.	Recommendation	Priority	Management response	Implementation details
5	<p>KLOE 2.2 - Use of information & data quality</p> <p>The Council needs to provide update training for benefits staff to ensure that classifications and dates are correctly recorded for benefits claims.</p>	Medium	<p>This is a complex area of Housing Benefit and Council Tax Benefit and staff need to have regular training and support. We can identify the level of errors through our quality checks and we will give support either to all staff based on the results of those checks.</p>	<p>Staff have been issued with reminders and additional guidance regarding these issues.</p> <p>The correct recording of classifications and dates for benefit claims will also be incorporated into training / awareness sessions planned for December 2009.</p>
6	<p>KLOE 2.3 - Good governance</p> <p>The Council needs to develop further governance arrangements for all relevant partnerships to ensure that outcomes for local people continue to be delivered.</p>	Medium	<p>The Council is developing a "Partnership Toolkit" which will enable managers to improve governance arrangements with partnerships.</p> <p>There is also training planned to reinforce good practice.</p>	<p>Partnership Toolkit will be in place by March 2010.</p>
7	<p>KLOE 2.4 - Risk management and internal control</p> <p>The Council needs to continue to develop risk registers at LSP level ensuring that these are reviewed at a regular frequency and that appropriate action is taken as a result.</p>	Medium	<p>LSP to continue to develop risk registers with key partnerships and their underpinning strategies including the development of the 2011 Sustainable Community Strategy.</p>	<p>Coordinated response by LSP in January 2010 with five themed partnerships or cities and their executives to establish risk registers and timeline for review and action.</p>

No.	Recommendation	Priority	Management response	Implementation details
8	<p>KLOE 3.1 - Managing natural resources</p> <p>The Council needs to ensure that it can demonstrate reductions in the levels of natural resources used in 2009/10 (e.g. CO2 emissions, water consumption and air quality).</p>	High	<p>The Council will adopt a Climate Change Strategy that will incorporate an accompanying spreadsheet outlining potential carbon savings across a range of services/activities. This will help to monitor the progress we make in meeting our various carbon reduction targets.</p>	<p>The draft Strategy will go to the Climate Change Board in December and then to Cabinet in January 2010.</p> <p>To aid implementation an officer working group with representation from all departments will be set up in January 2010.</p>
9	<p>KLOE 3.2 - Asset management</p> <p>See recommendation 2. The implementation of a fully integrated asset management system should provide a platform from which the Council will be able to further develop its strategic asset management approach in future years.</p>	High	<p>See recommendation 2. The Council has made a commitment to procure a new asset management system under the One Council One Derby transformation change programme. However, in recognition of the need to make early progress in reconciling the asset data, the asset management team is working with Accountancy to produce appropriate procedures and controls before the closure of the 2009/10 accounts.</p>	<p>A set of pro-formas to be developed for completion by Estates and Legal on disposals, change of use, change of department and demolitions/acquisitions. Monthly reconciliations to ensure all balances brought forward are unaltered and reconcile any changes made using the valuations list report run by Estates.</p> <p>Asset management policies, including the disposal policy, to be reviewed and managed through the strategic asset management group. The group meeting in December 2009 will prioritise the work programme. Asset management system maintenance procedures will be developed in line with this.</p>

No.	Recommendation	Priority	Management response	Implementation details
9			<p>Area Property Reviews A new phase of area based property reviews is to be introduced building on the work already done. The reviews will be carried out in conjunction with the LSP.</p> <p>Accommodation Strategy Following the outcome of the Accommodation strategy it has been recommended that the Council house be refurbished.</p> <p>Refurbishing the Council House is affordable and represents the most cost effective option of meeting the Council's accommodation needs and will realise the following benefits...</p> <ul style="list-style-type: none"> • further improve customer service • use space more effectively and, together with Derby Workstyle, significantly reduce the amount of office space occupied with consequent working and cost efficiencies • improve the staff and member working environment 	<p>Resource implications are being costed and the work will commence in January 2010 with a targeted completion date of December 2010.</p> <p>It is expected that design and procurement would take around 12 months and the construction two years. Given the extent of the work, the staff and civic functions will require decanting for the construction period. Availability of decant space, relationship with restructuring proposals, timescales and funding is currently being considered.</p>

No.	Recommendation	Priority	Management response	Implementation details
9			<ul style="list-style-type: none"> • contribute towards the Council's commitment to remove the maintenance backlog for administrative buildings • use accommodation more effectively and efficiently • release St Mary's Gate to allow the regeneration of St George's quarter in line with Cityscape's proposals. <p>Sports Centre Review In 2008, external consultants and officers completed a strategic review including costing all maintenance backlog works and options to refurbish or replacement of centres.</p> <p>Homes for older people (HOPS) review A Strategic Review of Care Homes for Older People was reported to Council Cabinet on 17th March 2009.</p>	<p>A range of proposals for implementation are clearly set out including timescales for the closure, adaptation and construction of homes, procurement of a development partner and a review of Extracare housing progress.</p>

No.	Recommendation	Priority	Management response	Implementation details
9			<p>The report showed that leaving all Council-run care homes as they are now will result in increasing vacancy levels as local older people continue to access local alternatives in improved community care, other forms of supported housing and independent sector residential care.</p> <p>Full Options Appraisals were undertaken for the remaining seven residential homes for older people run by the Council and it was decided to develop two specialist dementia homes, focus a further home on intermediate and short-term care, and consider options for replacing the remaining four care homes with Extra Care Housing that provides the same levels of care and support but gives more choice and flexibility to the resident.</p>	

No.	Recommendation	Priority	Management response	Implementation details
10	KLOE 3.3 - Workforce management The Council needs to ensure that it has sound arrangements in place to demonstrate that it is 'getting the basics right' for workforce management in 2009/10.	Medium	A draft KLOE document was submitted to Grant Thornton on 4 November 2009.	The final document will be produced in December 2009 following feedback from Grant Thornton.

B CAA and the new Use of Resources Framework

The Old UoR Regime

Local authorities' 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; and
- 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

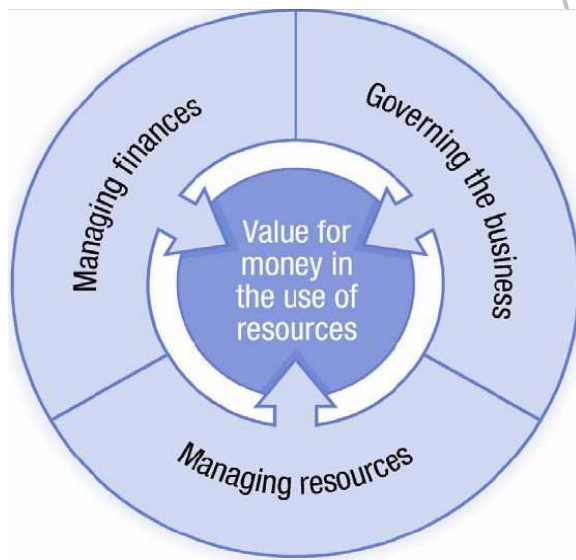
Source:- Audit Commission

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: ➤ 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;

		Single tier or county council	Districts	NHS PCTs
Theme 1 - Managing finances				
1.1	Financial health	Y	Y	Y
1.2	Costs and performance	Y	Y	Y
1.3	Financial reporting	Y	Y	Y
Theme 2 - Governing the business				
2.1	Commissioning & procurement	Y	Y	WCC
2.2	Use of information & data quality	Y	Y	Y
2.3	Good governance	Y	Y	Y
2.4	Risk management and internal control	Y	Y	Y
Theme 3 - Managing resources				
3.1	Managing 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 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;

		Single tier or county council	Districts	NHS PCTs
Theme 1 - Managing finances				
1.1	Financial health	Y	Y	Y
1.2	Costs and performance	Y	Y	Y
1.3	Financial reporting	Y	Y	Y
Theme 2 - Governing the business				
2.1	Commissioning & procurement	Y	Y	WCC
2.2	Use of information & data quality	Y	Y	Y
2.3	Good governance	Y	Y	Y
2.4	Risk management and internal control	Y	Y	Y
Theme 3 - Managing resources				
3.1	Managing natural resources	N	Y	Y
3.2	Asset management	Y	N	N
3.3	Workforce management	Y	N	Y

*only assessed at PCTs with a significant asset base.

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 - Use of Resources Presentation



Derby City Council

Use of Resources

25 November 2009

©2009 Grant Thornton UK LLP. All rights reserved.

Use of Resources

- National context
- Key messages for Derby
- Next steps

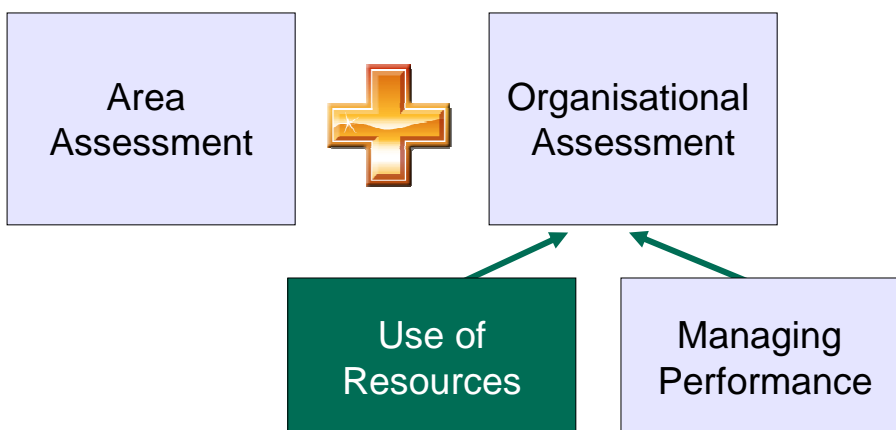
©2009 Grant Thornton UK LLP. All rights reserved.

National context

- Comprehensive Area Assessment
- Use of Resources – key changes
- Emerging national picture

©2009 Grant Thornton UK LLP. All rights reserved.

Comprehensive Area Assessment



©2009 Grant Thornton UK LLP. All rights reserved.

Use of Resources – key changes

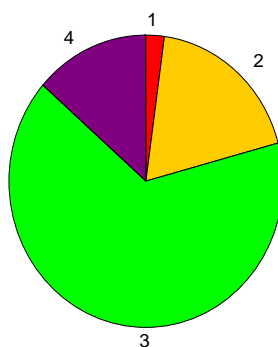
- New areas of assessment
 - managing natural resources
 - commissioning
 - workforce management (2009/10)
- Re-basing of minimum standards
- Overall rounded judgement, not 'tick box'
- Focus on outcomes and VFM, not process
- Emphasis on partnership working

" Harder Test"

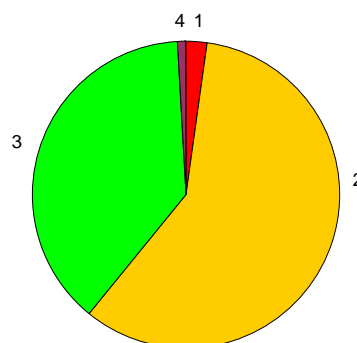
©2009 Grant Thornton UK LLP. All rights reserved.

Emerging national picture - all Local Government

2008



2009



©2009 Grant Thornton UK LLP. All rights reserved.

Key messages for Derby

- Outcome of 2009 assessment
- Significant progress
- Key areas for further development
- Achieving the Council's ambition

©2009 Grant Thornton UK LLP. All rights reserved.

Outcome of 2008/09 Assessment

MANAGING FINANCES

1.1	Financial health	3
1.2	Costs and performance	2
1.3	Financial reporting	2
		<hr/> 2

GOVERNING THE BUSINESS

2.1	Commissioning & procurement	2
2.2	Use of information & data quality	3
2.3	Good governance	3
2.4	Risk management and internal control	3
		<hr/> 3

MANAGING RESOURCES

3.1	Managing natural resources	2
3.2	Asset management	2
3.3	Workforce management	N/A
		<hr/> 2

©2009 Grant Thornton

Significant progress

- Development of strategic financial planning and business planning
- Impressive management response to early key messages arising through this year's review process
- Strong arrangements and outcomes in many areas, good direction of travel and a commitment to improve
- Demonstrating the culture of a 'VFM Council'

©2009 Grant Thornton UK LLP. All rights reserved.

Key areas for further development

- Demonstrating further reductions in costs and / or improvements in services as a result of the decision-making process (e.g. benefits derived from the DECATS review)
- Implementation of a fully integrated asset management system
- Demonstrating reductions in the levels of natural resources used in 2009/10 (e.g. CO2 emissions, water consumption and air quality)

©2009 Grant Thornton UK LLP. All rights reserved.

Achieving the Council's ambition - level 3 achievement

		Current Score	Level 3
1.1	Financial health	3	Green
1.2	Costs and performance	2	Amber
1.3	Financial reporting	2	Amber
2.1	Commissioning & procurement	2	Amber
2.2	Use of information & data quality	3	Green
2.3	Good governance	3	Green
2.4	Risk management and internal control	3	Green
3.1	Managing natural resources	2	Green
3.2	Asset management	2	Red
3.3	Workforce management	N/A	Amber

= Dominant KLOE

©2009 Grant Thornton UK LLP. All rights reserved.

Achieving level 4 behaviours

"Significantly exceeds minimum requirements
- performs excellently"

- Demonstrating innovation or best practice
- Demonstrating strong outcomes for the community including through partnership working
- Evidence of performing well above minimum acceptable level and achieving excellent value for money

©2009 Grant Thornton UK LLP. All rights reserved.

Next steps

- COG / leadership's support on key areas for further development
- Response to 2008/09 action plan
- Monitoring through Use of Resources sub-group led by Gordon Stirling
- Ongoing audit involvement led by Ian Barber

DRAFT



Grant Thornton

www.grant-thornton.co.uk

© 2009 Grant Thornton UK LLP. All rights reserved.

"Grant Thornton" means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton UK LLP is a member firm within Grant Thornton International Ltd ("Grant Thornton International"). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.

This publication has been prepared only as a guide. No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication