Audit Committee – 19 January 2010

Use of Resources 2008/09

1. Summary of report

1.1 The council's external auditors are required to conclude on whether Walsall 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 the auditor's value for money and use of resources work for 2008/09. The report assesses the council as meeting at least minimum requirements in all areas. The council has been assessed at level 3 for managing finances and level 2 for governing the business and managing resources. An agreed action plan is attached, progress against which will be reported to Audit Committee through the new municipal year.

2. Recommendations

2.1 Audit Committee is requested to note the report and approve the action plan as set out.

James Walsh
Chief Finance Officer
11 January 2010

Rory Borealis
Executive Director (Resources)
12 January 2010

3. Governance

3.1 The Use of Resources assessment is a key component of the council's governance arrangements and is used to review the effectiveness of these arrangements in the Annual Governance Statement which is presented and approved by Audit Committee in June.

4. Resource and legal considerations

4.1 Grant Thornton highlight in the report that, in particular, the council has good arrangements in place for financial planning and financial reporting.

5. Performance and risk management issues

5.1 The report states that the council has good partnership arrangements in place for securing good governance and risk management.

6. Equality implications

6.1 None directly associated with this report.

7.   Consultation

7.1   The report is prepared by Grant Thornton in consultation with the Chief Finance Officer and senior officers across the council.

8.   Background papers: Various reports and documents.

Author
Vicky Buckley – Head of Corporate Finance,
☎ 01922.652349, buckleyv@walsall.gov.uk

Use of Resources - findings and conclusions 2008/09

Walsall Metropolitan Borough Council

11 January 2010

Contents   **Page**

Appendices

1   Key messages

1.1   Introduction

Under the Audit Commission's Code of Audit Practice we are required to reach a conclusion on whether Walsall Metropolitan Borough 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 for 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 January 2009 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

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	3
2 Governing the business	2
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 3 for managing finances and level 2 for governing the business and managing resources. In particular, the Council has good arrangements in place for financial planning and financial reporting. The Council also has good partnership arrangements in place for securing good governance and risk management.

Key actions 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 rollout of the Council-wide LEAN reviews in 2009/10);

- 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;

- the Council needs to develop further partnership arrangements to identify and resolve data quality issues;

- the Council needs to develop a strategic approach to sharing assets with partners that extends beyond individual initiatives and buildings; and

- 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.

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 monitor its response to our recommendations from 2008/09 and 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 Walsall Metropolitan Borough 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		**3**
KLOE 1.1	Financial planning	3
KLOE 1.2	Understanding costs	2
KLOE 1.3	Financial reporting	3
Theme 2 - Governing the business		**2**
KLOE 2.1	Commissioning and procurement	2
KLOE 2.2	Use of information and data quality	2
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 Walsall Metropolitan Borough 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

We held a workshop in January 2009 to introduce the new UoR framework to 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 is 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 Walsall.

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 3 for managing finances is supported by scores of level 3 for KLOE 1.1 and KLOE 1.3 and a score of 2 for KLOE 1.2.

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 developed process which integrates with corporate and service planning. The medium term financial strategy (MTFS) and plan sets out the financial framework and plan for the Council over the medium term. The framework and plan is flexible to allow resources to be targets to emerging / changing priorities both in year and between years, and is underpinned by robust procedures. Risks and economic and demographic changes and trends are modelled and included. Emerging pressures are also modelled. The Council's financial procedures, budget process, which identifies ongoing pressures and variances and builds them into the budget plan, underpinned by its risk assessed level of reserves, revenue and capital contingencies, ensure that financial pressures are managed. At the same time, the Council is able to ensure a sound financial standing and longer term health.

Engaging with stakeholders

The Council works engages closely with and consults partners and in a number of ways, via pooled budgets, the Walsall Partnership board, its Education partner, Housing 21 etc, delivers joint plans to deliver services. The Council has successfully moved resources to support partnership working and support the Local Area Agreement (LAA). Financial and performance based monitoring reports are presented to partner boards as appropriate.

Comprehensive consultation with stakeholders is held annually which assists in the planning of and delivery of the service plans and budget.

Managing spending

We are pleased to note that the Council ended 2008/09 with its balances at a level consistent with the requirements of the MTFS, whilst delivering it's strategic priorities and plans to continue to do so, including the transfer of the Highways maintenance contract, Housing 21, and further work towards Building Schools for the Future (BSF).

Financial governance

Financial governance is a high priority, and all managers who are responsible for managing budgets are required to undertake "vital skills financial training". The Finance Department provides delegated financial support to managers and a senior finance officer attends all directorate management teams. The Chief Finance Officer (CFO) also attends the weekly Corporate Management Team (CMT) meeting. Treasury management policies and procedures are reviewed and updated annually to ensure that investments are subject to appropriate risk management.

Members scrutinise and challenge financial performance through scrutiny, portfolio holder meetings, Cabinet meetings and via the Audit Committee. This Committee receives all audit reports, financial performance reports quarterly, risk management and other governance reports and takes a keen interest in governance arrangements of the Council, making recommendations on improvements to the governance systems in place.

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 the benefits derived from the rollout of the Council-wide LEAN reviews in 2009/10.

Understanding costs

The Council has analysed its costs and concluded upon how they compare with others. It can demonstrate how this 'understanding' has been used in the budget setting process to make decisions and identify areas for efficiency saving. Cost drivers are identified and kept under review and these are also used to inform the budget. Investment decisions are made in the context of affordability, impact and deliverability of outcomes.

Significant procurement/investment/divestment decisions include a business case and a whole life costing approach is used to inform decision making.

Decision-making

Costs and benefits of investments are risk assessed, with identification of both financial cost and risk against the benefit of investment, and the likely impact of not investing on the Council and its partners. This allows Cabinet to make informed decisions. Benchmarks or comparative data are also used where available.

Variances in costs are analysed and reported frequently, with corrective action being taken where necessary.

Making efficiencies

The Council has a successful history of delivering efficiencies and has identified £12m of savings to be made in 2009/10. A "delivering the budget savings" board has been established to oversee this. A LEAN based approach was piloted in 2008/09 and is now being rolled out Council-wide to assist in the delivery of efficiencies.

However, the Council needs to be able to demonstrate more clearly the performance outcomes of its work in the focus areas of decision-making and making efficiencies to achieve a score of level 3 for this KLOE in future.

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 rollout of the Council-wide LEAN reviews in 2009/10).

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 3

Overall, the Council is performing well in this area.

Financial monitoring and forecasting

There is a robust financial management, training and reporting framework in place. Monthly reporting is made to budget holders, senior managers and directorate management teams. As a minimum, quarterly financial reporting is made to CMT, Cabinet, Scrutiny Panels and the Audit Committee. This includes forecasts to year end, major variances with reasons and corrective action planning as appropriate. This ensures the Council understands and can plan for any variations and ensures the Council can deliver its priorities. The Council has a history of effective financial management, outturning with balances intact, taking appropriate corrective action whilst balancing service needs.

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

We have identified that financial reports are fit-for-purpose and provide accurate and clear information to assist decision makers. This includes progress in implementing savings and the level of reserves.

Publishing reports

We are pleased to note that the Council produces an annual summary of accounts in a more user friendly manner which is included in the Annual Report and brings together the performance of the Council and its finances in a balanced fashion.

The documents are published on the Council's website and are available in a number of forms. Good and accurate financial forecasting and an early closure and reporting of the financial performance of the Council ensures it can manage it's finances as intended, provides assurance that finances are stable, allows pressures and risks to be identified early and assists in ensuring continued financial stability, which in turn provides confidence to members, stakeholders and Council tax payers.

Preparation of accounts

The Council operates in accordance with the Accounts and Audit Regulations and other statutes, including the SORP, within the required timescales. It has effective arrangements for reviewing and approving the annual statement of accounts, including effective engagement and challenge via Audit Committee.

In addition, the Council has improved its year end procedures and introduced more time in the process for more effective officer review and improvement of its working papers. The Council has an International Financial Reporting Standards (IFRS) plan and adequately experienced and qualified officers to ensure an effective implementation.

5 Governing the business

Theme summary

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

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, a more extensive involvement in commissioning and a clearer demonstration of service competitiveness.

Clear vision of expected outcomes and extensive involvement in Commissioning

We are pleased to note that the Council has developed and published a number of strategies covering commissioning and procurement. These strategies have been endorsed by members and form the basis of the development of services. They are based on a detailed analysis of intelligence collected from a variety of sources including users, carers and providers. The development of the Council's joint strategic needs assessment, with key partners, has provided valuable data to support this process and should contribute to the better targeting of Council and partner resources into those areas of known greatest need.

Improvement through service redesign

Involvement from all people who have an interest in a particular service is a fundamental part of the Council's approach to developing, improving and managing services. The contract monitoring framework for care contracts focuses on quality of services and is used to safeguard service users by developing quality action plans with providers.

Understanding the supply market

The Council has a good track record of understanding its strengths and weaknesses in service delivery and, in some cases, it has used the market to modernise and improve key services, for instance in Community Meals and in reprovisioning Older People's. Understanding and developing capacity within the supply market, particularly the Third Sector, is central to the Council's procurement plans. Workshops, facilitated by external organisations, have been run to develop providers' capacity and to help revise contract terms and conditions.

Evaluation of procurement options

Tender evaluation models include factors apart from price, and different approaches have been developed to suit individual service needs. Performance indicators are built into contracts to secure

the operational as well as the strategic objectives of the Council (e.g. indicators on the demographics of agency staff used by the Council to improve local employment).

Reviewing service competitiveness and achieving value for money and wider objectives
The Council believes in collaborative working and works with a range of partners. It has undertaken joint procurement projects with other councils and NHS Walsall; uses buying consortia for a range of commodities and government national frameworks for services which have delivered significant efficiencies. It has run a successful programme of e-Auctions either on its own or on behalf of other councils.

However, the Council needs to demonstrate a clear rationale for insourcing / outsourcing decisions for key services (e.g. improved service performance at a lower cost, innovative approach to joint commissioning or external recognition for procurement exercises).

Recommendation 2
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 2
Overall, the Council is performing adequately in this area but needs to improve outcomes for working with partners to secure data quality (e.g. developing partnership arrangements to identify and resolve data quality issues).

Produces relevant and reliable data and works with partners to secure data quality and provides information which supports the decision making process
The Council has a systematic, sound approach to data quality and performance management. This includes financial, cost benefit, risks, governance and legal issues. The impacts on the Council, service, environment and citizens' equalities impacts are also reported and used in decision making as appropriate. Consultation is held with appropriate stakeholders.

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

Ensures data security and compliance with statutory requirements
The Council recognises that accurate, timely and reliable data is key to good decision making. The Council complies with DPA / FIA requirements and there are security policies in place to protect the Council and individuals for which it holds data.

Monitors performance against priorities
The Council's performance management framework provides a sound foundation for monitoring and reporting, and for managing variations and enabling corrective actions where necessary.

National and local targets have been agreed, including those with partners via the Sustainable Community Strategy and Walsall Partnership. Financial and non-financial targets are set, managed and reported to managers, CMT and members on a regular basis.

We are pleased to note that the Council is focused on ensuring it has both the processes and culture in place to drive and support performance improvement and ensure financial stability going forward.

Recommendation 3
The Council needs to develop partnership arrangements to demonstrate how it identifies and resolves 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 60 claimants, only 1 data quality issue was noted and the error rate was deemed to be immaterial. In addition, we were satisfied with the service-specific management arrangements and systems.

As a result, it is our rounded judgement that arrangements are adequate for benefits data quality.

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 Council has adopted the CIPFA/SOLACE Governance framework and has strong arrangements in place to secure probity of its affairs, to ensure that there is clarity of roles and focus.

Member and manager roles, delegations, conduct requirement are set out (including guidance for members' expenses). Cabinet and CMT work closely to deliver Council priorities and there is clarity of roles. A strong training and development culture is in place for both.

Purpose and vision

Codes of conduct are in place and are reviewed. The Standards Committee and Audit Committee oversee the Council's ethical and financial/performance governance arrangements including compliance, action required and progress on implementing actions.

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

Partnership governance is managed in various forms via accountability agreements, constitutions and formal agreements. Regular meetings take place and are formally minuted (e.g. Walsall Partnership, Pooled budget boards).

The Walsall COMPACT is a local agreement with the voluntary and community sector and other partners setting out a way of working to improve outcomes for local people.

The Council reports annually via the Annual Governance Statement (AGS) on its governance arrangements and monitors and reviews progress and arrangements via the Audit Committee, alongside any actions required. 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 4
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, counter fraud and corruption arrangements

The Council has a recognised strong corporate approach to risk management covering the identification, reporting and management of risk. This approach is further embedded in financial management, and the budget, financial forecasting and reserves are formally risk assessed. The arrangements for management of the risk of fraud and corruption are good and improving. Opportunity risk management has been developed during 2008/09 to acknowledge that good risk management can identify opportunities and benefits to the organisation.

System of internal control

The Council has sound arrangements for ensuring an adequate system of control. This includes identifying weaknesses and ensuring improvements are implemented on a timely basis. Progress is monitored by the Audit Committee. The strong internal control and risk management arrangements in place mitigate the risks of financial, reputational and other potential losses to the Council and protects the council tax/service payer. The Council has a strong track record of managing risk, and during 2008/09, successfully managed a number of significant risks, including the Housing 21 and Education contracts and the transfer of the highways maintenance service.

The Audit Committee has a strong focus and work programme aimed at reviewing and improving the system of internal control. It has requested and approved improvements in the system (e.g. strengthening the arrangements for reporting on managers compliance in implementing internal audit report recommendations).

Recommendation 5
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 CO_2 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 is taking steps to better understand and manage its use of natural resources. It has a Climate Strategy and action plan which Members have been involved in developing. A climate change risk assessment has been undertaken for key highways assets and public lighting.

The Council has introduced various energy efficiency measures to seek to reduce energy consumption, and is making good progress in meeting recycling targets and reducing the environmental impact of landfill. In addition, the Council is undertaking sustainability impact appraisals for major projects, such as the Housing 21 contract for the reprovision of older people's services.

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

CO_2 emissions and water consumption are being recorded via monitoring software; some key contracts now contain targets aimed at reducing carbon footprint / improving the environment e.g. recycling material targets in highways contract.

However, the Council needs to be able to demonstrate reductions in the levels of natural resources used in 2009/10 (e.g. CO_2 emissions, water consumption and air quality).

Recommendation 6
The Council needs to ensure that it can demonstrate reductions in the levels of natural resources used in 2009/10 (e.g. CO_2 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 Council has corporate asset management plans, service asset plans, and a corporate property strategy, which underpin the Council's capital strategy. Responsibilities for asset management are defined and there is a member responsible for property and asset management. The cost of investment requirements are known and there is a plan to rationalise the property portfolio to reduce costs and generate efficiencies. The Council has an 'adaptive working' group which is reviewing working policies with the aim of assisting asset rationalisation.

Managing assets to provide VFM

The Council has an asset register and data is produced and monitored on property costs. VFM decisions are made on property retention or disposal. Members scrutinise the asset management plan and progress. Having a fit for purpose, safe, asset stock is key to delivering access to services and ensuring the welfare of employees and users of services. Significant investment has resulted in improvement to service quality and infrastructure.

Partnership and community working

The Council has been involved in various innovative asset management schemes including the transfer of its housing stock, establishing a Public Lighting PFI scheme and using Prudential Borrowing to improve the highways infrastructure to acceptable standards. It is currently working towards Academy and Building Schools for the Future (BSF) to improve educational accommodation, which are expected to support improvements in educational attainment. These measures have allowed significant investment into priority council and local services. The Town Centre Transport Package, in particular, has improved access at the same time as considerably improving the infrastructure.

However, the Council needs to develop a strategic approach to sharing assets with partners that extends beyond individual initiatives and buildings. This could take the form of improving the condition of the estate, recognising the income from the sale of unwanted assets and the provision of more suitable office accommodation.

Recommendation 7
The Council needs to develop a strategic approach to sharing assets with partners that extends beyond individual initiatives and buildings.

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 8
The Council needs to ensure that it has sound arrangements in place to demonstrate that it is at least 'getting the basics right' for workforce management in 2009/10.

A Action plan

No.	Recommendation	Priority	Management response	Implementation details
1	**KLOE 1.2 - Costs and performance** 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 rollout of the Council-wide LEAN reviews in 2009/10).	High	The Council's value for money framework is being reviewed to ensure reductions in costs/improvements in services are captured.	Review of and improvement in framework by end March 2011.
2	**KLOE 2.1 - Commissioning & procurement** 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.	High	Commissioning managers are supported to develop specifications which focus on outcomes and contracts incorporate appropriate performance measures. A contract monitoring framework is in place which focuses on contract performance and measures to improve service standards. Internal audit reports on commissioning and procurement are being examined to produce an overhaul of our approach.	Procurement will work closely with the Head of Joint Commissioning to develop indicators within contracts that demonstrate the achievement of outcomes.

No.	Recommendation	Priority	Management response	Implementation details
3	**KLOE 2.2 - Use of information & data quality** The Council needs to develop partnership arrangements to demonstrate how it identifies and resolves data quality issues.	High	The Council has engaged with the LSP on this issue and they are leading on the production of a partnership data quality protocol.	A meeting of key officers from across the partnership is taking place on 28 January 2010 to review a draft protocol.
4	**KLOE 2.3 - Good governance** The Council needs to develop further governance arrangements for all relevant partnerships to ensure that outcomes for local people continue to be delivered.	Medium	A partnership register and protocols have been established. Training on the protocols is to be introduced. These are to link to other council policies such as Accountable Body / Grant / Programme/Project management.	These are to be reviewed in the coming months together with the audit recommendations. Discussions to be undertaken with Partnership Director (Walsall Partnership) around implementing these arrangements with the third sector. Reports to CMT will be made on progress. Target: next 12 months.
5	**KLOE 2.4 - Risk management and internal control** 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.	Medium	Revised LSP risk management arrangements are being produced and developed within other partnerships (link to partnership register).	A meeting with the LSP is being held in January 2010 to discuss these revised arrangements. Target: next 12 months.

No.	Recommendation	Priority	Management response	Implementation details
6	**KLOE 3.1 - Managing natural resources** 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).	Medium	The Council is seeking to do this using the its Carbon Management programme and projects identified within that.	Data will be available July 2010.
7	**KLOE 3.2 - Asset management** The Council needs to develop a strategic approach to sharing assets with partners that extends beyond individual initiatives and buildings.	High	A public sector property forum is being established, this is already meeting with WMBC and NHS. The intention is to establish a public sector property asset management plan for the Borough.	Forum to be in place by 10 July 2010. Asset Management Plan target: 31 March 2011.

No.	Recommendation	Priority	Management response	Implementation details
8	**KLOE 3.3 - Workforce management** The Council needs to ensure that it has sound arrangements in place to demonstrate that it is at least 'getting the basics right' for workforce management in 2009/10.	High	An initial self-assessment carried out in June 2009 indicated that there were mechanisms in place to deliver improvement across all the indicators. Key to this is the Council's corporate workforce plan, which is supported by plans at directorate and service level in identifying the key workforce challenges over the next 3 to 5 years. Further work is being done to update the plan and begin to predict numbers of staff required for the future. The Workforce Plan refers to a number of areas in which progress has been made in the second half of 2009. These include: • a new Leadership & Management Competency Framework has been agreed and will be rolled out from January 2010;	There is good evidence of activity across the span of KLOE 3.3, meeting level 2 and much of it appearing to meet level 3 criteria. However, there remain some challenges in demonstrating the impact of these activities. An example is the identification and reduction of skills gaps, where ongoing development of a Learning Management System and more recent emphasis on training needs analysis at directorate / service level will assist in providing such evidence in future. Similar work is also being done in other areas to improve measurement and the availability of data. Changes to the Council's structure in 2009, which returned Human Resources to a corporate Resources Directorate as part of a new Business Change function, also provides reassurance that people management will be at the heart of future organisational change and development.

No.	Recommendation	Priority	Management response	Implementation details
			• the Individual Performance Management (appraisal) process has been reviewed and refreshed for re-launch alongside the competency framework; and • an apprenticeship scheme has been established to address future skills shortages and improve the ability of the Council to attract younger people. In addition, the Council has been assessed as "achieving" under the Local Government Equality Standard and is revising its equality & diversity structures and processes in order to improve the service across the Council and produce more engagement at LSP level to give shared approaches. The new arrangements include specific workforce stream and refocusing of the existing employee networks.	

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

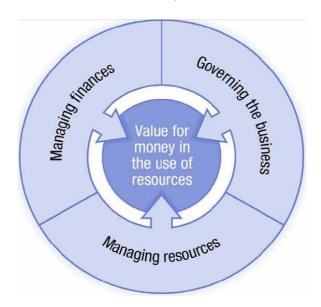| CPA	CAA
Local government focus	All sectors and partners
Institution based	Area based
One size fits all	Focus on local priorities
Performance	Outcomes and perceptions
Collaboration between regulators	Joint assessment
Cyclical inspection	Continuous assessment, proportionate inspection
Focus on past performance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

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

Grant Thornton

Walsall Metropolitan Borough Council

Use of Resources

19 November 2009

Ian Barber