



Use of Resources 2009 - findings and conclusions

Exeter City Council

November 2009

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1 Key messages

1.1 Context

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

We described in our Audit Plan (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 Use of Resources (UoR), using the three themes within the Audit Commission's new assessment framework themes and Key Lines of Enquiry ('KLoE');
- specific work on locally identified audit risks, which contribute to our VFM conclusion by feeding into our UoR assessment scores; and
- risk-based spot-check work to assess the quality of data underlying key performance indicators.

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

1.2 Key messages

The new use of resources assessment considers how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people. The assessment comprises three themes that focus on sound and strategic financial management; strategic commissioning and good governance; and the management of natural resources, assets and people.

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

Table 1: UoR scores

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

Overall, we have assessed the Council as having sound arrangements in place across all areas, with particularly strong performance in 'the governing the business' theme. We found good practice in many areas and, looking forward, the Council is in a strong position to build upon these to secure an improved assessment once sustainable outcomes can be demonstrated across all of the Council's activities. We recognise some of the innovative approaches adopted by the Council in the delivery of quality services and submitted to the Audit Commission, as an example of good practice, the Council's development of its sustainable procurement and commissioning strategy and the work of its Green Accord Scheme, as assessed under KLOE 2.1. The Audit Commission has confirmed that this example is one of those that they intend to publish on its internet site with a view to promote good practice nationally across other public sector bodies.

The key actions for the Council arising from our assessment are included in the Action Plan. The most significant of these are:

- Service Improvement Portfolios (SIPs) should be implemented consistently across the Council's service areas to enable the Council to plan and manage its financial and operational performance in a more integrated way. Workforce plans should support this;
- the Council should further develop its benchmarking arrangements and manage its costs, performance and productivity closely to challenge why and how it provides services and whether, with partners, there are alternative options; and
- operational risk registers should be prepared and formalised for all service areas to ensure that the risks to delivering operational objectives and achievement of service plans are identified and managed effectively.

Further details of work to support our 2009 Use of Resources assessment are given in section two.

1.3 Links to Comprehensive Area Assessment

The findings from our work are also considered by the Audit Commission's Comprehensive Area Assessment (CAA) Lead along with their own work on 'Managing Performance' to determine the overall Organisational Assessment. This assessment then feeds into the CAA for the area as a whole. The CAA work is reported separately by the Audit Commission and, as such, is not repeated within this report. However, we have held discussions with the CAA Lead to ensure that our work and judgements are consistent with their own and represent a full and fair reflection of the Council.

1.4 Engagement in the assessment process

We are pleased that officers of the Council engaged effectively with us during the assessment process in 2008-09. The Council provided a broad-ranging self-assessment at the outset of our work and this was supported by a number of meetings and background evidence. Our workshops were well attended with constructive and useful discussions.

1.5 Next steps

We will continue to work with the Council during the year to help prepare for the 2009-10 Use of Resources assessment and our discussions with officers should enable key areas to be focussed on to inform our future judgements.. For further details on next year's assessment, please see appendix D.

The recommendations arising from our review are set out in appendix A. Whilst this report has been discussed with the Council's Senior Management Team, the action plan is still to be discussed and finalised by officers to determine the specific actions that are required to address the recommendations made. The Resources Scrutiny Committee should actively monitor the Council's progress in implementing these to inform future years' assessments.

1.6 Use of this report

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

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

1.7 Acknowledgements

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

2 VfM Conclusion

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 Exeter City Council has proper arrangements in place for securing economy, efficiency and effectiveness in the use of its resources (the "VfM conclusion"). The UoR assessment forms the backbone of this process.

The UoR Key Lines of Enquiry (KLoEs) are prescribed by the Audit Commission and applied at all councils, police forces, fire authorities and NHS PCTs. However, as our audits are tailored to local risks, we specifically identify and consider certain areas of greater audit risk for each organisation, as part of the UoR assessment. We identified a number of areas for consideration in our Audit Plan and these have been considered as part of our detailed assessment of individual KLoE's.

2.2 Approach to the audit

The use of resources work was undertaken between March and July 2009, based on the framework prescribed by the Audit Commission. We have reviewed the Council's self assessment and supporting evidence as well as held discussions with senior management and officers. We discussed our provisional assessment with officers in June 2009 and provided an opportunity for any further evidence to be produced prior to us forming our final judgements in August 2009. Our assessments have been informed through consistency meetings, both internal and on an area-wide basis, to ensure that auditor judgements have been applied in the same way across different organisations.

2.3 2008-09 UoR assessment

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

Table 2: UoR theme and KLoE scores

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

Please note:

- 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 be reassessed 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 Exeter City Council, we gave an unqualified use of resources conclusion on the 23 September 2009.

The key findings in each of the KLoEs, and areas for improvement, are set out in the sections 3 to 5.

3 Managing Finances

Theme summary

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

Our summary findings

We have assessed the Council as performing adequately (level 2) in this area. The Council has sound financial and strategic planning processes that link to its corporate improvement priorities and is underpinned by a medium term financial strategy (MTFS) and corporate plan. Service Improvement Plans are currently being developed within service areas which will enable the Council to plan and manage its financial and operational performance in a more integrated way in future years.

The Council sets and approves a balanced annual budget and has a robust planning cycle that underpins this. Whilst the Council has a good track record in achieving its budgets and efficiency targets, the delivery of specific savings targets and efficiencies needs to be clearer as currently this is consolidated into the monitoring of the baseline revenue budget. The level of reserves are monitored closely and there are clear plans in place, through the MTFS, to utilise these reserves to help manage the current financial pressures. These have been exacerbated by the impact of the concessionary fares scheme and the downturn in the economic climate.

Overall, the Council provides good quality services at low cost when compared to others and has demonstrated a good understanding of its costs. We have found some particularly strong examples of good practice, such as in Housing Services where the Council is developing its understanding of costs and factors that influence these by comparing and benchmarking unit cost information. However, this is not being replicated across all service headings. As such, the Council should continue to develop a sound understanding of activity and service costs and performance across all of the Council's services and seek improved value for money from this. How it is using partners to challenge resources and deliver value for money should also be more clearly demonstrated.

There is a strong and effective accounts closedown process in place with information being made available on a timely basis. The accounts are consistently prepared and approved, submitted and published in accordance with statutory requirements and are supported by clear and comprehensive working papers. Our audit in the last two years has only identified a small number of non-trivial errors in the accounts, demonstrating the Council's strong performance in this area.

Further details on each KLoE area are provided in the following sections.

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

This KLoE seeks to establish whether the Council integrates its financial planning with its strategic and service planning processes on a medium to long-term basis, whether it engages local communities and other stakeholders in the financial planning process, how it manages spending within available resources and whether it is financially sound over the medium term. It also seeks to establish whether the Council recognises individual and collective responsibilities for financial management and values and is developing appropriate financial skills.

The Council has developed a Medium Term Financial Strategy (MTFS) which models income and expenditure over a four year period. This is driven by its corporate business plan and is linked to other internal strategies and plans. The MTFS and budget are subject to a high level risk assessment. The Corporate Plan is reviewed and updated on an annual basis to ensure that the priorities remain appropriate and provides a detailed performance assessment as to how it is delivering against these.

The Council sets and approves a balanced annual budget on a timely basis each year. There is a robust annual planning cycle with the assumptions used in planning the budget being set out in the budget book, including the level of resources required and inflationary pressures. Portfolio Holders, Heads of Service and members are actively involved throughout the financial planning process. The budget setting process is also subject to robust scrutiny and a specific member group has been established to review the annual budget proposals prior to formal approval by the Executive.

The budget book links each budget area to the overall council priorities and objectives and identifies a number of key performance indicators. However, there are no specific milestones or a description of the actions required to achieve these. Instead, each directorate is required to develop a specific service plan which sets out the service objectives for the year in relation to corporate priorities and what financial resources are available, known as the Service Improvement Portfolio (SIP). These SIPs are currently under development for each service. Whilst we found that good progress has been made by some areas, such as the Policy Unit and Housing Services, other areas still have some way to go.

Of particular note is the Housing Services SIP “Direction-Reaction-Creation”. It is a rolling service plan which sets out the corporate objectives, service aims, performance management framework and service improvement plans for particular areas, for example tenancy, income management, resident involvement and temporary accommodation. In addition, they produce a specific annual report for the unit that sets out the service and financial performance for the year which is then widely communicated across the service. The Council should build upon this example of strong practice and develop its arrangements to ensure that SIPs are produced and implemented consistently across all departments of the Council. This will enable it to promote better integration of financial planning and performance management information.

The MTFS and Budget Book sets out the Council's policy on reserves and balances. At 31 March 2008 the Council had reserves of 28.2% of annual revenue spend, which the Council recognised as being high. The MTFS includes plans to utilise these reserves over the medium term to support revenue pressures arising from the concessionary fares scheme and the impact of the economic downturn as well as supporting the delivery of a number of key projects. This was clearly evident by

the end of 2008-09 where the Council's general reserves reduced from £7.54 million to £5.56 million and is expected to reduce further in 2009-10. The minimum requirement for the General Fund working balance was approved by the Executive in February 2009 at £2 million.

Equality impact assessments are carried out to inform the decision making process and relevant examples are set out in the MTFS. We found that whilst the Council has actively engaged with the local community and other stakeholders on a number of issues, there was limited evidence available to demonstrate whether the council had sought, and taken account of, consultation responses in the financial planning and budgetary process. That said, we found good examples in Housing Services which had utilised participatory budgeting in 2008-09 and used its current tenant consulting groups to review its spending allocation for the year 2009-10 and deciding on the key priorities.

Monitoring the delivery of savings targets in 2008-09 at a corporate level has principally been achieved through review of the overall budget position and outturn rather than specific consideration of the actual realisation of individual initiatives. Responsibility for this is devolved to service heads and budget managers who manage expenditure and delivery of savings at a local level. Whilst the financial outturn reports to each scrutiny committee do include the savings made within its commentary on performance, they do not explicitly show the split between savings and the overall budget base line. The Council should enhance its financial monitoring information to more clearly demonstrate its performance against savings targets by separately identifying and measuring the success in the delivery of individual initiatives with explanations provided where there are variations from plans.

For 2009-10, a detailed savings plan has been drawn up, in conjunction with the individual service areas, which has been approved by the relevant scrutiny committees. This identifies where the specific savings will be made and progress will be monitored through quarterly updates to members, within the current stewardship reporting framework.

We found that the Council is reviewing its structures for the delivery of services in relation to financial planning and has improved outcomes through various restructures. For example, a review of the management structure within economy & development has been completed which has resulted in the planning and building control departments being brought together. The need for this was highlighted due to the reduced income as a result of the current economic climate. Integration of the services enabled efficiencies to be achieved in management time. We believe that this is a good example of how the Council is reviewing and responding to the current financial environment, keeping a focus on service delivery and looking for further opportunities, such as merging officers work and maintaining vacant posts.

The Council has a well managed capital programme linked to priorities, with a number of projects delivered to time and to budget. Whilst the Royal Albert Memorial Museum project has experienced a number of challenges and cost overruns, it is recognised that this is due to the complex and historic nature of the building and as the project has developed, new issues have been identified which were not planned for and have only been uncovered as part of the ongoing works. Quarterly reports on the capital programme, together with cost and risk issues associated with this project are now scrutinised by members and progress is closely monitored. At an appropriate time, the Council needs to review the project to identify to what extent, if any, these issues or cost over-runs could have been for-seen or mitigated.

The Council operates a treasury management strategy that complies with CIPFA code-of-practice, is approved annually and is monitored alongside the budget. Following the problems in a number of

financial institutions, including the failure of a number of Icelandic Banks, the treasury management policy and procedures were revisited by the Council. As a result, it has moved away from riskier investments and limited its investments to UK institutions only. Our review of the investments made in Icelandic banks confirmed that the previous policy had been adhered to and no investments were made after the risk rating of the affected institutions had been downgraded.

All members are required to participate in a member development programme to ensure that they maintain the required skills to deliver their role effectively. This includes annual updates to members on financial matters, presented by the Head of Treasury Services as Section 151 officer. A member development committee has been established to address training issues and members are engaged in a programme of training. Attendance at training is recorded and is being used to assess the extent of member involvement and to address any issues arising. The Council has put in place Personal Development Plans (PDPs) for members on a trial basis and these now need to be rolled out more fully.

Recommendations

1. Implement Service Improvement Portfolios consistently across the Council's service areas to enable the Council to plan and manage its financial and operational performance in a more integrated way.
2. Consult more widely with local people on significant spending decisions, e.g. Council Tax levels and fees and charges and demonstrate how the results of consultation have been used.
3. Introduce separate reporting and monitoring of savings targets from its overall revenue outturn reports to allow better transparency of achievements of savings across services.

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

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

We found that the Council has adequate arrangements in place for understanding the costs and performance of its key services, as well as the key drivers and influencing factors on these services. The Council continues to provide value for money when compared to nearest neighbours. Council tax rates remain relatively low, as are the costs of services. In 2008-09, the Council increased the council tax charge by 4.5% and the Band D amount of £114.98 is the fifth lowest level of district council tax.

Higher costs in services such as Culture reflect the Council's commitment to specific areas, particularly in respect of its major redevelopment project of the Exeter Museum. Its spend per head of £64.44 is the third highest in comparison with all other district councils.

Spending on Environment, Planning and Transport (£6.91 million) at £56.45 per head is low both in comparison with the nearest neighbours group and with all other district councils. However, included within this spend per head figure is the income that is generated by the operation of car parks, which reduces the level of spend by some £3.412 million, equivalent to a reduction of £27.88 per head. Further work is required in this area to gather evidence on how the Council is using cost data to compare performance and improve value for money.

Within Housing Benefits, the cost per application is well understood and has been reducing each year from £17.61 in 2007-08 to £17.21 in 2008-09. Whilst there has been a dip in the performance in relation to speed of processing data, which has impacted on the overall performance indicators published by the Council, this is tied into the introduction of document imaging. There is weekly monitoring of both the cost data and performance data to monitor the outcomes of changes to the housing benefits service. The main cost to the service is salary costs and the Council is keen to maintain the level of staff, due to the expected increases in workload due to the current economic climate.

The Council is making use of the Audit Commission VFM tool. This is reviewed by the Head of Treasury Services to measure performance against the Council's Audit Commission 'family'. Service managers have been notified of the tool and how this can be used to support their service plans and benchmarking performance within services, but we found that these are not being used comprehensively and further work is needed to make better use of this data and realise the benefits.

With constraints on the allocation of housing subsidy, the Housing Services unit has a number of different schemes underway and have been actively working to get a better understanding of costs and their behaviour to different influencing factors. In addition, there are good examples of where services are comparing and benchmarking unit cost information, but this does not appear consistent across all service headings. Such examples include assessment of costs of refurbishment of pre-fabricated housing within the city and participation in Devon Home Choice scheme. Costing information is used to support the decision making process.

The Council has set a policy to use whole of life costing when analysing major investment projects over £1 million. Whilst we have seen good evidence of this as part of the potential future development of Clifton Hill swimming pool, its application needs to be more widespread. As such, to be assessed as level three, the Council should consider whole life costing and social and environmental considerations in more of its key investment decisions.

We found that activity and unit costing are not used widely across all council services. In order to develop a sound understanding of its costs base, service areas should analyse costs at unit or transaction level, particularly for significant, priority or high spending areas. Comparative information should also be more widely used to benchmark areas of spend.

The Council has previously exceeded the efficiency target covering the period 2005-06 to 2007-08 identifying cumulative savings of £3.2 million of which £2.2 million were cashable. The Council forecast to produce efficiency savings of £1.089 million for the period from 1 April 2008 to the end of March 2009. These savings equate to 2.8% of baseline expenditure of £32.7 million and are equivalent to £29 per Band D property, which is more than the average efficiency figure of £22 per

Band D for all other district councils. The Council reported, through NI179, actual efficiency savings of £1.365 million, again exceeding their original forecast.

Recommendations

4. Continue to develop a sound understanding of costs and performance across all of the Council's services and seek improved value for money from this. The Council should also demonstrate how partners are being used to challenge resources and deliver VFM.
5. Implement wider use of whole life costing to demonstrate how these support investment decisions across the Council's services.
6. Demonstrate how service and activity costs are compared and how benchmarking is being used to improve service efficiencies. Given the current financial challenges, the Council needs to demonstrate further how it is reviewing and challenging its cost base on an ongoing basis to help deliver the financial position. VFM tools and benchmarking data should be used more routinely by services to manage costs, improve performance and support the delivery of its Service Improvement Plans.

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

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

Our review has identified that the Council has sound arrangements in place for financial monitoring and forecasting. Formal budget outturn reports are prepared on a quarterly basis and received by the relevant scrutiny committee. This includes performance to date as well as the forecast position to the end of the year. In addition, variances are reported to executive members. There is a formal monthly budget timetable in place to ensure that financial information for internal reporting is collated on a timely basis. Good control is maintained over financial data through accountants in the central treasury services team and there are regular meetings between the accountants and service managers to discuss variances and any remedial actions required.

The financial information reports the expected year-end position and its impact on reserve balances for the financial year. The new financial management system, implemented during the year, has a separate reporting function which is used to inform the figures presented in the quarterly stewardship reports presented to each scrutiny committee. Service managers do not have individual access to the separate reporting function (collaborative planning) and these are provided by the central treasury accountants and discussed prior to preparing the stewardship reports. Service managers do, however, have access to the financial management system. Whilst this does not give the forecast outturn position it does report, for each cost centre, the budget and actual spend to date as live information. Moving forward, the Council needs to demonstrate how it is using the

forecasting applications within the new financial system to help develop and analyse trends to better inform the monitoring of the financial position. It should also review the reporting capabilities of the new financial management system further to establish whether providing access to these reporting functions to service finance managers could realise improvements to its internal financial management.

Members receive bi-annual performance indicator reports and portfolio updates and quarterly stewardship reports. Each report includes commentary direct from the service heads identifying and explaining the key variances. However, there is not currently a report that directly links finance and performance information to members. It is the responsibility of the individual service managers to monitor both financial information and performance information. The development of the service improvement portfolios should enable the Council to communicate more direct links between performance and financial resources and report on these relationships and their behaviour to members. Feedback is sought from members to ensure that reports are updated and tailored to meet their requirements and we have seen a number of examples where such changes have been made to reflect member questions and feedback.

The Council has a strong and effective accounts closedown process with information available on a timely basis. The Council consistently prepares accounts which are approved, submitted and published in accordance with statutory requirements. Financial statements are available on the Council website and clearly signposted under financial information. Whilst the 2007-08 financial statements did contain non trivial errors, there were only a small number and all errors were corrected by the Council after the audit had identified them. Our subsequent work with the Council on their arrangements for preparing the 2008-09 accounts demonstrates that the Council has taken action to ensure that these errors do not reoccur. Whilst our 2008-09 financial statements audit did not identify any significant audit issues affecting the reported general fund position, a number of adjustments were required to ensure that the Housing Revenue Account information was accurately reflected in the Council's Income and Expenditure account. Working papers provided for the audit were to a high standard and officers engaged well with the audit team in responding to audit queries.

The Council has taken the decision not to publish an annual report. The corporate plan is published each year and is available on the Council's website. This is updated based on the performance for the previous year and clearly identifies the specific objectives for the future. It includes financial information that shows the services on which money was spent and where the money came from. It also has a summary of the financial position per the balance sheet and details of capital spend in the year. The Council also uses other communication methods, such as the Council Tax booklet and the Exeter Citizen newspaper to report financial matters and information to local stakeholders. We found that the Council has not undertaken any specific consultation with stakeholders on what financial or performance information should be presented in these forms of communication to reflect their needs and requirements.

The Annual Audit Letters for the last few years are published on the Council's website. The Council has demonstrated that information is available in formats to meet their duties under equalities legislation. The financial statements are presented in an easy to understand format, with explanations of the key statements and a glossary of terms included at the back of the document. The Council also prepares a housing annual report in consultation with tenant and leaseholder representatives and feedback has been sought on its format and content.

Recommendations

7. Develop financial forecasting techniques to further improve the financial reporting function, including the use of risk and sensitivity analysis where appropriate. This should include an assessment of the usefulness of the new financial management system to develop and analyse trends and supporting the forecasting of the Council's financial outturn position.
8. Develop a more integrated approach to collecting, producing and monitoring financial and non financial performance to more clearly demonstrate the impact of spending decisions on service provision and performance.
9. Ensure that financial and performance information in key plans, reports and communications is reflected in a user friendly way that is based on consultation with stakeholders and good practice. This should also include robust environmental footprint and social information.

4 Governing the business

Theme summary

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

Our summary findings

We have assessed the Council as performing well in this area. The Council has developed a strategic approach to the commissioning and procurement of services. This is set out in its Sustainable Commissioning and Procurement Strategy and is underpinned by a thorough assessment of the social, economic and environmental issues facing Exeter, which includes an understanding of the inequalities of its community and their needs for services over the longer term.

The Council recognises the importance that relevant and reliable data has in underpinning decision-making and performance management. It has established clear procedures for data quality and a range of systems and processes for the collection, recording and analysis of performance data. Responsibility and accountability for data quality is formally defined at corporate level and some data sharing protocols have been developed.

The Council has sound arrangements in place for promoting and demonstrating good governance. The corporate Scheme of Delegation, Financial Regulations and Constitution detail the roles and responsibilities of those involved in governance and there is a code of conduct for members and officers. The Standards Committee is operating effectively, hospitality and gift registers are in use, are actively managed and compliance with them is reviewed. A whistle-blowing policy is also in place which is publicised on the corporate website and we have identified that there is a high level of awareness of the policy amongst members and officers.

The Council has adequate arrangements in place for the management of its corporate risks and for maintaining a sound system of internal control. There is a risk management policy and the risk management arrangements link to key corporate and strategic objectives, though these arrangements would benefit from an internal review to ensure that they remain fit for purpose. In addition, the Council should focus on implementing effective operational risk management arrangements at the service level ensuring that risk registers are prepared by all departments, linked to service improvement portfolios and monitored on a regular basis.

The Constitution sets out sound arrangements for the effective governance and assurance arrangements of the Council's activities. There is a business continuity plan which is reviewed and regularly tested. The Scrutiny Resources Committee is robust in its delivery of the role of an audit committee, but could be enhanced if it undertook a more formal assessment of its activities to

confirm its effectiveness, identifying those areas of strength and those which could be developed further.

Further details on each KLoE area are provided in the following sections.

KLoE 2.1 - Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?

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

We have assessed the Council as performing well in this area. The Council has compiled an analysis of the social, economic and environmental issues facing Exeter, which includes an understanding of the inequalities of its community and their needs for services over the longer term. This underpins their corporate planning framework and has facilitated the development of a sustainable procurement and commissioning strategy which sets out a clear vision for how the commissioning and procurement of its services will support the delivery of outcomes for local people. This strategy has been widely consulted upon. An implementation plan supplements this strategy and progress has been made against this plan.

The Council is active in a wide range of consultation. The Council has demonstrated how stakeholders and suppliers have had an input into the design of services, e.g. tenant representation at all stages of the procurement process for the new housing repairs contract, information forums on the design of the leisure management contract. The Council's commissioning strategy has been published on the Council's website and a good practice guide circulated to raise awareness.

The Council has provided examples as to how the redesign of services and the effective use of IT has improved service delivery. Their website has been redeveloped following a detailed public consultation. It has been re-launched with an enhanced self service function. Front line delivery of the housing benefits service has been integrated with the Customer Service Centre and electronic scanning and document management has been implemented and is helping to deliver efficiencies in back office functions, the full benefits of these are still to be realised. The Council have a real time customer satisfaction and feedback system and outcomes from these surveys are used to improve future working practices.

The Green Accord scheme developed by the Council gives suppliers a mechanism for demonstrating their green credentials. It tackles issues such as fuel usage, travel and waste reduction/recycling and in doing so helps each service achieve compliance with the Council's Sustainable Purchasing Policy. Suppliers are initially required to self-assess their own compliance which is then verified by the contracts team. Accreditation is given at three levels and the Council is actively working with local suppliers to improve their accreditation ratings.

The Council is working with Envision and Envirowise to turn this local initiative into the standard for a new national accreditation scheme. It has gained national credibility having recently been nominated for and won national awards and a number of organisations, including the Met Office and Exeter University, have expressed interest in using it for their supply chains. As part of our assessment, we made a submission of good practice to the Audit Commission in relation to the Council's development of this scheme and understand that it has been chosen as one of those that will be published on its internet site with a view to promote good practice nationally across other public sector bodies.

The Council continues to work with small businesses in Exeter and the region to increase their involvement in bidding for Council work. This includes the voluntary and community sector and presentations have been given to the Exeter Chamber of Commerce, South West Constructing Excellence and the Federation of Small Businesses. The Council have a dedicated 'Selling to the Council' web page to promote this further. Preferred supplier lists are in place and available on the website along with application forms and details of any current contract advertisements.

The Council is proactive in considering options for securing goods and services. All contracts are evaluated using a sustainability evaluation matrix to minimise their economic, environmental and social impact. The Council has also introduced an electronic marketplace in conjunction with the new financial system and through the Devon Procurement Partnership. This reduces the costs of transactions and provides better management information on purchasing, allowing greater competitive pressure to be applied on suppliers.

Recommendations

10. The Council should continue to monitor its progress in delivering the actions set out in its Sustainable Commissioning and Procurement Strategy Implementation Plan.

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

This KLOE focuses on whether the Council understands the needs of its decision makers, produces, with partners, relevant, good quality and reliable data to support decision making and performance monitoring. It is also concerned with whether the Council has arrangements to monitor performance and to ensure data security and compliance with relevant statutory requirements.

We have assessed the Council as performing well in this area. A corporate data quality framework is in place with clear objectives for the management of data quality. This is set out in the Council's Performance Management Framework and Data Quality guidelines. The Council has effective arrangements and a good track record of producing and using accurate, relevant and reliable data.

Risks to securing data quality are considered as part of the Council's corporate risk management arrangements and this includes partnership data flows, for example, with waste disposal. The Council has a data sharing protocol in place and has provided examples of where they are working with partners to ensure data quality in the preparation of shared national indicators, for example,

working with other local Devon District Councils to establish a consistent methodology for data preparation and comparison on NI187 and NI197, which they have subsequently agreed with GOSW and DEFRA respectively.

There is a range of systems and processes for collecting, recording and analysing performance data and security arrangements for those systems are robust. Independent reviews are undertaken by Internal Audit on an ongoing basis, these include checking that the responsible officers understand what data they need to capture, and that adequate supporting documentation is maintained. Our review of the Internal Audit reports on spot checks completed to date have not identified any significant issues. Where Internal Audit have found issues as part of their work, the Council has acted upon the recommendations and enabled them to improve their collection methods.

The Council prepares performance benchmarking reports for scrutiny committees, senior managers and other members of its benchmarking family. This includes information on diversity and equality issues.

The Council has a number of policies, procedures and guidance which cover key business areas and compliance with statutory requirements, this is tested through periodic reviews. In 2007, the Freedom of Information and Data Protection procedures were audited by Internal Audit. In 2008, Internal Audit also completed the National Archives self-assessment exercise to assess the Council's conformity with the Records Management Code of Practice. Recommendations for improvements have been addressed. The Council also achieved the Government Code of Connection by the end of the year.

The Council's information security forum meets quarterly to discuss security incidents, review security procedures and to ensure the council is providing a secure environment for its staff and assets such as data. No significant breaches have occurred although there were a small number of incidences where visitors forgot to hand back in their visitor passes.

The Council has arrangements in place to ensure that data supporting performance information is being used to manage and improve service delivery. The data from the performance management system is reported on a quarterly basis to the directorate teams and all reports are available on the intranet for staff to review performance indicators such as creditor payments and museum visits are monitored on a monthly basis, which has been requested due to performance levels at the Council. A good example of improvement arising from more effective monitoring is that of sickness absence. Detailed reports have been provided to the Senior Management Team and members with supporting action plans which has had a positive impact on reducing sickness absence levels from 14 to 9 days per person over the last four years.

The PI data is included as part of the budget setting process, and feeds into the budget book, demonstrating that the performance data is considered as a measure of performance along with financial performance. In addition, a members' booklet incorporating performance in a graphical format was produced at the year end showing performance across all services, as a result of feedback from them requesting that the presentation of findings be improved to help develop their understanding of performance outturns.

Data quality spot-check and housing benefits data quality results

To support our judgements for KLoE 2.2 we undertook a risk assessment exercise to determine whether detailed spot-checks were required on any of the Council's key performance indicators. We concluded that the Council has sound arrangements in this area and variance analysis of the

Council's performance in its KPIs did not identify any specific areas that caused us concern. As a result, a more detailed spot check review was not considered necessary.

We have also considered the results of the data quality aspects of our work on housing benefits. Overall we concluded that there was robust system in place to ensure good data quality in benefits subsidy PI statistics. This included:

- training provision on how to record statistics in Academy and DIPS for all new staff and for all staff where there are new system changes. A dedicated in-house training team provides this service both to Exeter and to other Devon councils;
- in year monitoring of data quality including 10% spot checks, covering all assessment staff, undertaken by specialist team who re-perform assessments and ensure performance statistics recorded and subsidy determinations reached are appropriate;
- personal targets are in place for accuracy of housing benefit data for each assessor. Compliance is monitored through the spot check regime and reported on in annual appraisal. Where additional training needs are identified in house training is provided; and
- up to date in-house, DWP and Academy processing guidance available to all staff on the Intranet.

Our testing identified one case where a change of address change of circumstances was incorrectly coded as a new claim. We are, however, satisfied that this does not impact on our overall assessment of the Council's arrangements as:

- the Council separately identified this as a risk area due to known issues with the software provider and was able to provide correspondence with Academy requesting changes to the system defaults to minimise the risk of re-occurrence;
- the spot check regime detailed above operated throughout the period and did not identify further cases;
- staff have been specifically trained on this issue since the risk was identified; and
- a future release of Academy is due to resolve the issue going forward.

Recommendations

11. Ensure that arrangements for checking data accuracy continue to be embedded across the Council, and shared with partners where they are the source of the data.

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

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

We have assessed the Council as performing adequately in this area. The Scheme of Delegation, Financial Regulations and Constitution detail the roles and responsibilities of key governance committees, members, statutory officers and other senior officers and are regularly reviewed. All new members take part in an induction programme meeting senior staff and the Chief Executive. A programme of training events and briefing sessions are delivered to develop members skills and update them on current issues, new developments and guidance. Specific training sessions in IT and regulatory matters are provided. Events are advertised in Extract, the members' monthly newsletter. Members are also invited to take part in relevant staff training sessions and are provided with a handbook available on the Councillor Information Portal.

A cross party member development committee oversees development opportunities for members. Progress has continued to be made on the Council's application to IDeA for the Member Development Charter Mark for Councils and a self assessment of the Council's arrangements has been completed. Member Personal Development Plans (PDPs) have been trialled during the year and are being rolled out to ensure all members maintain appropriate knowledge and skills and to enable evaluation of the effectiveness of the development programme. The Council should now ensure that the PDPs are fully embedded and are having a demonstrable positive impact. Member training is continuously reviewed and monitored by the democratic support team and is supported by member feedback

The Council has a clear focus on its purpose and vision and the delivery of its priorities. Exeter's first community strategy was put in place in 2003 and a refreshed Exeter Vision was published in early 2009. This sets out a series of aspirations and highlights a number of key challenges that require attention in the short term. The strategy has been informed by a comprehensive evidence base, including detailed research by Local Futures, an assessment of community need and an analysis of deprivation. The Council's Corporate Plan describes how these aspirations have been translated into Strategic Priorities and link to the Devon Local Area Agreement.

There are very strong working relationships between members and senior officers, and these are governed by the Code of Conduct and Protocol on Member/Officer Relations set out in the Constitution. Regular meetings are held between Directors, Portfolio Holders and Group Leaders as well as the Chief Executive and the Leader. A Register of Gifts and Hospitality for members is in place and publicly available on the Council's website.

The Council's Standards Committee oversees high standards of conduct by members and officers. The Standards Committee is made up of eleven members, three of whom are independent and is chaired by an independent member. The independent members are encouraged, and do, attend the South West Independent Members of Standards Committee Group Conference every six months and they formally feedback what they have learned to the other members of the Standards Committee. The Standards Committee's role and information about the members serving on it is

set out on its web site. This page also contains information about how a member of the public can make a complaint.

Only one complaint was received regarding an alleged breach of the Code of Conduct by a Councillor and this was referred to the Standards Committee. In order to ensure the complaint was investigated thoroughly and impartially, the Monitoring Officer employed external Solicitors to conduct the investigation on her behalf. No failure to comply with the provisions of the Code was found. Councillors are well briefed about their role and the Standards Committee regularly receives updates about its role and new procedures. The lack of complaints to the Standards Board for England reflects the understanding Councillors have about their role and the good working relationships with officers.

A whistle-blowing policy is in place and is publicised on the website and the Council ensures that awareness of this policy amongst members and officers is high. A number of incidents have been reported and followed-up during the year.

The Council are currently establishing a corporate register of partnerships. Once this has been completed, it needs to review its significant partnership arrangements that it has identified to confirm that satisfactory governance arrangements are in place for all of these. It should also review the effectiveness of its arrangements with partners to ensure that they are delivering the expected outcomes effectively whilst delivering value for money for the Council.

The Sustainable Communities Strategy clearly sets out how the Council's priorities and objectives are aligned to those of the local and Devon wide Local Strategic Partnership. The Council was involved in developing, and is signed up to, the Devon Compact which sets out how they work with the voluntary and community sector. The Council works closely with the PCT and voluntary sector through its Social Health and Inclusion Partnership. The Social Health & Inclusion Partnership has responsibility for overseeing this and implementing actions associated with health and social inclusion issues across the city. The Neighbourhood Partnerships are a good example of how this works in practice.

Recommendations

12. Ensure that member PDPs are fully implemented to ensure that skills gaps are identified and training plans are in place to address these.
13. Continue to monitor levels of member attendance at training sessions to ensure that they aim to attend all courses relevant to their role, enabling them to discharge their responsibilities effectively.
14. Assess, for key partnerships identified, whether appropriate governance arrangements are in place.
15. Consider how the Council can demonstrate its strategic partnerships have resulted in more efficient use of resources, by lowering costs or delivering better outcomes for the population of Exeter.

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

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

We have assessed the Council as performing adequately in this area. The Council has a Risk Management Policy and procedures which is published on the Council's website. However, these were last reviewed in 2006 and should be revisited to confirm they remain fit for purpose. A corporate risk register is in place, linked to objectives, and is considered by the Scrutiny Resources Committee twice a year (March and November) and by the Executive annually. Relevant parts of the register are also submitted to the other scrutiny committees annually in November so that they are aware of the risks relating to their areas of responsibility.

Whilst risks in delivering service performance are discussed at monthly service management team meetings, operational risk registers to formally document these assessments are still being developed in most service areas. Cleansing Services were the first service area to successfully implement the Council's risk management approach, following the completion of a pilot exercise where they worked closely with Internal Audit. Further roll out of operational registers is planned on a priority basis with car parks, IT and customer services being part of the next wave of implementation. Internal Audit are supporting services in implementing these arrangements providing expertise and support on understanding the risk management process and developing the registers. The Council needs to ensure that all services formally develop and regularly maintain a register of operational risks and ensure that these are linked to the service improvement plans.

An officer Risk Management Group is in place, with representatives from the three directorates, meeting shortly before Scrutiny Resources Committee to consider any new or amended risks arising from discussions at their Directorate Management Team meetings. The Leader of the Council is the lead member for risk management. We found that appropriate risk management arrangements are in place for the management of significant projects, such as the Museum development, but the Council have recognised that arrangements need to be improved to ensure that these are better linked with the Corporate Risk Register.

Whilst risk management training has been delivered to members, this needs to be performed on a more timely basis. The Council should also ensure that it targets any member and officer training to those who are specifically involved in risk management as well as to new starters.

The council's Whistle Blowing policy is well publicised. Most recently an article appeared in the Exeter Citizen Winter 2008 edition, publicising the Internal Audit Fraud Hotline. At the time of our assessment an Anti-fraud and Corruption Strategy was in place but an updated version was being developed. The Council is seeking to incorporate best practice within the new strategy and it will clearly set out the action that will be taken against individuals in fraud cases and how action will be taken to recover any losses. Housing Benefit staff are trained and work with the DWP to investigate potential cases of benefit fraud and BVPI 076c shows there were 6.06 Housing Benefit prosecutions and sanctions per 1,000 claims during 2007-08; an improvement on 2006-07 when there were 4.50.

The Council has an assurance framework in place and assessed the system of control through the Annual Governance Statement, which is supported by risk management and internal audit. There is an effective internal audit function at the Council and key control documents, such as standing orders, are reviewed on an annual basis.

The role of the audit committee at the Council is undertaken by the Scrutiny Resources Committee. It covers the basic role of an audit committee including reviewing internal controls, risk management and receiving internal and external audit reports and is operating effectively. However, in order to identify those areas to where it could further enhance its operations, the Committee should formally assess itself against the CIPFA guidance for audit committees and complete the self assessment checklist. This will enable it to identify where it is fully delivering the core functions of an audit committee and where there are opportunities for further development. The committee should reflect and report on its performance on an annual basis to demonstrate the positive impact of its work through providing effective challenge on internal control arrangements and how it is monitoring council's progress against any actions to address significant internal control issues. This includes taking appropriate action to address issues highlighted in internal and external audit reports.

A corporate level Business Continuity Plan is in place. Emergency simulation exercises take place with partners annually to test the effectiveness of the Council's plans with the latest one completed on 3 April 2009. Post exercise de-briefs and reports draw together learning issues from participants and, where necessary, identify responsible officers to make improvements.

Recommendations

16. The Risk management policy, procedures and supporting documentation should be reviewed on a regular basis to ensure that these remain fit for purpose.
17. Plans should be put in place to ensure that all members and officers responsible for risk management are provided appropriate training on a regular basis.
18. Operational risk registers should be prepared and formalised for all service areas to ensure that the risks to delivering operational objectives and achievement of service improvement plans are identified.
19. The Resources Scrutiny Committee should complete a self assessment of its functions using the CIPFA self assessment toolkit, to satisfy itself that it continues to deliver the requirements of an effective audit committee.
20. The Scrutiny Resources Committee should seek to demonstrate that its work has a positive impact in providing effective challenge and ensuring that the Council is working to continually improve its systems of internal control. This could include undertaking an annual review of the Committees effectiveness and formally reporting this.

5 Other resources

Theme summary

This theme focuses on the effective management of natural resources, assets and people. It is concerned with whether the Council understands, and can quantify its use of, natural resources and whether it is managing performance to reduce its impact on the environment. It also focuses on whether the Council has a strategic approach to asset management. Finally it seeks to establish whether the Council has a productive and skilled workforce, knows in the medium to longer term what staff it will need, with what skills, and has plans to achieve this.

Our summary findings

The Audit Commission has determined that the first two areas within this KLoE, making effective use of natural resources and managing assets effectively, will not be assessed at district councils in 2008-09. Our assessment has been limited to planning and developing an effective workforce.

Overall, the Council has sound arrangements in place to manage its workforce, with good examples of initiatives in place to develop its workforce, manage its staff effectively and establish robust working practices. The Local Government Review in Devon has impacted upon the embeddedness of some of these processes, due to future uncertainty, and some corporate documentation requires updating once future arrangements have been confirmed. There is clear evidence that the Council is effective in engaging and supporting staff through various communication methods and provides support to staff directly impacted by change.

The Council is active in reviewing workforce requirements and prepares information annually to members on the workforce profile to the Council and future implications of decisions, including comparisons with other bodies. Further evidence of how the Council's actions are leading to attributable outcomes is required to meet level three, to be able to demonstrate that the workforce planning is actively supporting strategic policies and driving the Council forward.

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

This KLoE has not been considered in 2008-09 as the Audit Commission has prescribed that the introduction of assessed themes will be phased over three years. Appendix D details those KLoEs to be assessed in each year.

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

This KLoE has not been considered in 2008-09 as the Audit Commission has prescribed that the introduction of assessed themes will be phased over three years. Appendix D details those KLoEs to be assessed in each year.

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

This KLOE considers the workforce for the Council as a whole, incorporating workforce planning, organisational change and recruitment. It also seeks to establish whether the Council has identified how to improve the diversity profile of its workforce so it broadly reflects the community it serves.

We have assessed the Council as performing adequately in this area. The Council has a Workforce Strategy in place which was due to be reviewed during 2007-08, but the uncertainty created by the Local Government Review (LGR) in Devon has impacted upon the timescales for delivering this. The strategy and subsequent plans clearly link to the Council's objectives and feed through the organisation as part of the Managers' Competency Framework and appraisals. The Strategy informs the annual Workforce Profile Report which is sent to Scrutiny Resources Committee in June each year. Through this report, and the overall corporate workforce strategy, services have the responsibility to set out action plans for any skills shortages within each of the services. Results against performance indicators are also reported as an appendix to the Corporate Plan. Work undertaken as part of the LGR review has identified the staff mix required should the option go ahead. The workforce strategy for 2007-08 remains valid for 2008-09 and current preparations are being made to update this strategy.

Individual departments are responsible for reviewing the staffing structures, based on requirements for efficiencies. This has been evident for a number of services including leisure and museums, the archaeological field unit; customer service centre and housing benefits; treasury services and the merger of planning and building control. These reviews have primarily been driven through resource constraints, but the reports to members have also considered the impact on the services as well as staff. Moving forwards, the Council needs more clearly demonstrate how service workforce planning is linked to performance and service delivery.

Sickness absence levels have improved from 14 to 9 days per person over the last four years. Initiatives to reduce this have included the "be active 4 life" scheme, additional training for managers on the return to work interviews, providing a counselling service through occupational health and offering redeployment opportunities. This is monitored closely through "Bradford factor" reports which are produced for managers each month for comment. Whilst performance has deteriorated slightly since last year, this continues to be closely monitored by the Council.

Biennial staff surveys are undertaken to monitor satisfaction, the last of which was reported to the Council's senior management team in December 2007. This showed that nearly three quarters of respondents (71.6%) would rate the Council as a 'good to very good' employer.

The Council has entered into a "master tender" agreement with one recruitment agency whereby all applications and vacancies are dealt with through the one agent. This has resulted in shorter times for processing vacancies and also enabled the Council to have access to a broader pool of potential employees.

The Council has engaged with, and supported, their staff effectively during organisational change. Throughout the local government review process, staff have been kept informed of progress via a

range of mechanisms including team briefings, e-mails from the Chief Executive, staff question and answer sessions and road-shows held at different sites and dates to ensure that the maximum number of people can attend. In addition, training sessions have been offered to all staff on how to deal with, and respond to, organisational change. During the restructure of the Archaeological Field Unit affected staff were consulted with from the start and put forward their own suggestions of what the model should look like, which were ultimately taken up. In addition, HR User Groups have representatives from all services and feed into the Employee Liaison Forum which is attended by Councillors, Senior Management, Head of HR and Unison/Staff representatives.

Following periods of organisational change, the Council needs to ensure that post implementation reviews are performed and analysed to ensure that they can assess the effectiveness of the process of managing the change and identify where it could do things better. The Council clearly values its people and this is evident through the achievement of Investors in People since 1996 and the Charter Mark award within a number of directorates. High performance is celebrated through City News, the Exeter Citizen and Team Briefs.

A new recruitment website was developed and launched in April 2008, with the aim of attracting a greater number of applicants on-line, reducing the number of application forms received in hard copy and streamlining the process to reduce the time taken from vacancy to appointment. Initial feedback has been positive and the Council now receive 84% of applications on-line. Alternative arrangements are in place to maximise the access for all potential applicants that do not have access to the internet.

The Council are in the early stages of setting up a corporate apprentice scheme which will enable more targeting of under-represented groups in particular roles, build a more diverse workforce and positively promote the Council as an employer in the local market.

The Council have self assessed themselves as a Level 2 against the Equality Standard for Local Government and are discussing within the Equality Working Group the benefits in working towards the 'achieving' level of the new Equalities Framework for Local Government and the added value that will be obtained from this.

In 2007, the Council published a three-year Comprehensive Equality Scheme in line with legislative requirements, setting out measurable outcomes for our service users, staff and councillors. This was reviewed in 2008-09 and an assessment of the achievements has been undertaken and a list of actions drawn up to continue to meet the set objectives. This was approved by Executive on 29 June 2009. An example of how the Council has promoted diversity was through the delivery of training to all 451 Exeter taxi driver with the effectiveness of this training being monitored through mystery shoppers from Living Options Devon. An equal pay audit was undertaken in January 2009 with Unison and a report and action plan produced. No significant issues were identified from this review.

Recommendations

21. Ensure that the workforce strategy is reviewed to ensure that this remains fit for purpose and continue to reflect strategic priorities and support ongoing service delivery.
22. Demonstrate how workforce planning is linked to performance management and delivering improvements in service areas.
23. Demonstrate further how the Council's workforce policies are benefiting the wider community

of Exeter, including assessment of the volunteering network.

24. Demonstrate how the introduction of the Corporate Apprentice Scheme will enable the Council to undertake more targeted recruitment aimed at under represented groups in the community.

25. Ensure that post implementation reviews are undertaken with staff to assess benefits and lessons learnt from their experiences of organisational change within the Council.

26. Work towards the 'achieving' level of the new Equalities Framework for local government.

A Draft Action plan

This action plan is still to be discussed and finalised with officers to determine the specific actions that are required to address the recommendations made below.

No.	Recommendation	Priority	Management response	Implementation details
1	Service Improvement Plans should be implemented consistently across the Council's service areas to enable the Council to plan and manage its financial and operational performance in a more integrated way.	High		
2	The Council should explore ways in which it can consult more widely with local people on significant spending decisions, e.g. Council Tax levels and fees and charges and demonstrate how the results of consultation have been used.	Medium		
3	The Council should introduce separate reporting and monitoring of savings targets from its overall revenue outturn reports to allow better transparency of achievements of savings across services.	Medium		

No.	Recommendation	Priority	Management response	Implementation details
4	The Council should continue to develop a sound understanding of costs and performance across all of the Council's services and seek improved value for money from this. The Council should also demonstrate how partners are being used to challenge resources and deliver VFM.	Medium		
5	The Council should consider implementing a wider use of whole life costing to demonstrate how these support investment decisions across the Council's services.	Low		
6	The Council needs to demonstrate how it compares its service and activity costs and how benchmarking is being used to improve service efficiencies. VFM tools and benchmarking data should be used more routinely by services to manage costs, improve performance and support the delivery of its Service Improvement Plans.	High		

No.	Recommendation	Priority	Management response	Implementation details
7	Develop financial forecasting techniques to further improve the financial reporting function, including the use of risk and sensitivity analysis where appropriate. This should include an assessment of the usefulness of the new financial management system to develop and analyse trends and supporting the forecasting of the Council's financial outturn position.	Medium		
8	The Council should investigate ways in which to better integrate the collecting, producing and monitoring financial and non financial performance to more clearly demonstrate the impact of spending decisions on service provision and performance.	High		
9	The Council should ensure that financial and performance information in key plans, reports and communications is reflected in a user friendly way that is based on consultation with stakeholders and good practice. This should also include robust environmental footprint and social information.	Low		

No.	Recommendation	Priority	Management response	Implementation details
10	The Council should continue to monitor its progress in delivering the actions set out in its Sustainable Commissioning and Procurement Strategy Implementation Plan.	Medium		
11	The Council should ensure that arrangements for checking data accuracy continue to be embedded across the Council, and shared with partners where they are the source of the data.	Low		
12	The Council should ensure that member PDPs are fully implemented to ensure that skills gaps are identified and training plans are in place to address these.	Medium		
13	The Council should continue to monitor levels of member attendance at training sessions to ensure that they aim to attend all courses relevant to their role, enabling them to discharge their responsibilities effectively.	Low		
14	The Council should formally assess whether appropriate governance arrangements are in place for its key partnerships identified.	Medium		

No.	Recommendation	Priority	Management response	Implementation details
15	The Council needs to demonstrate how its strategic partnerships have resulted in more efficient use of resources, by lowering costs or delivering better outcomes for the population of Exeter.	Medium		
16	The Risk management policy, procedures and supporting documentation should be reviewed on a regular basis to ensure that these remain fit for purpose.	High		
17	Plans should be put in place to ensure that all members and officers responsible for risk management are provided appropriate training on a regular basis.	Medium		
18	Operational risk registers should be prepared and formalised for all service areas to ensure that the risks to delivering operational objectives and achievement of service improvement plans are identified.	High		

No.	Recommendation	Priority	Management response	Implementation details
19	The Resources Scrutiny Committee should complete a self assessment of its functions using the CIPFA self assessment toolkit, to satisfy itself that it continues to deliver the requirements of an effective audit committee.	Low		
20	The Scrutiny Resources Committee should seek to demonstrate that its work has a positive impact in providing effective challenge and ensuring that the Council is working to continually improve its systems of internal control. This could include undertaking an annual review of the Committees effectiveness and formally reporting this	Medium		
21	The Council needs to ensure that its workforce strategy is reviewed to ensure that this remains fit for purpose and continue to reflect strategic priorities and support ongoing service delivery.	Medium		
22	The Council needs to more clearly demonstrate how workforce planning is linked to performance management and delivering improvements in service areas.	Medium		

No.	Recommendation	Priority	Management response	Implementation details
23	The Council needs to demonstrate how the Council's workforce policies are benefiting the wider community of Exeter, including assessment of the volunteering network.	Low		
24	The Council should demonstrate how the introduction of the Corporate Apprentice Scheme will enable the Council to undertake more targeted recruitment aimed at under represented groups in the community.	Low		
25	The Council should ensure that post implementation reviews are undertaken with staff to assess benefits and lessons learnt from their experiences of organisational change within the Council	Medium		
26	Work towards the 'achieving' level of the new Equalities Framework for local government.	Medium		

B CAA and the new Use of Resources Framework

The Old UoR Regime

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

- Financial Reporting;
- Financial Management;
- Financial Standing;
- Internal Control; and
- 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: <ul style="list-style-type: none"> ➤ forward looking and proactive in identifying and developing opportunities for improvement; and ➤ include more sophisticated measuring and assessment techniques. 	Demonstrating innovation or best practice .
Arrangements sufficient to address the KLoE.	Outputs and outcomes demonstrate arrangements which are effective and have the intended impact , and show evidence of effective partnership working .	Demonstrating strong outcomes for the community including through partnership working .
Arrangements achieve minimum acceptable levels of performance .	Evidence of performing consistently above minimum acceptable levels and achieving VfM .	Evidence of performing well above minimum acceptable levels and achieving excellent VfM .

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

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

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

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

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

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

D KLoEs specified for assessment in 2008-09 and 2009-10

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

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

* only assessed at PCTs with a significant asset base.

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

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

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

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

Further details are available at the Audit Commission's website at:

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

E Use of Resources Timetable 2009-10

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

F Identifying outcomes, outputs and achievements

Identifying outputs, outcomes and achievements

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

Illustrative examples of outcomes, outputs and achievements by KLoE

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

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

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

- organisations should not have to identify new outcomes for the purposes of UoR assessment. These should be identified and captured through existing management activity; organisations should understand how their processes help them to achieve their priorities;
- outcomes and outputs should be measurable where possible, but if this is not the case then a qualitative description of the improvement is still useful;
- there may not be a one-to-one relationship between processes and outcomes. There may be a small number of outcomes that arise as the net effect of a processes across a KLoE area; and
- if you are having difficulty then discuss the area with your UoR auditor.

Our approach to ensuring consistency

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

The Audit Commission has:

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

Grant Thornton has:

- provided internal training and guidance;

Use of Resources findings and conclusions 2008-09

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



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