USE OF RESOURCES JUDGMENT 2008/09

1   SUMMARY

1.1   This report presents the detailed results of the Use of Resources assessment carried out by the Council's external auditors, PKF, which is attached as an appendix.

2   INTRODUCTION

2.1   The Use of Resources assessment considers how well an organisation manages and uses its resources to deliver value for money and achieves better, sustainable outcomes for local people. It is combined with a Managing Performance assessment, carried out by the Audit Commission, to produce a score for the Council's annual organisational assessment as part of the Comprehensive Area Assessment (CAA).

2.2   The results of the CAA were published by the Audit Commission in December 2009 and this report presents the external auditors' (PKF) detailed findings on the Use of Resources element only. There will not be a separate report on Managing Performance.

3   BACKGROUND

3.1   In previous years the assessment was based on 5 themes that were scored from Level 1 (inadequate) to Level 4 (strong performance):-

- Financial Reporting (including the preparation of the accounts of the Council and the way these are presented to the public)

- Financial management (including how the financial management is integrated with strategy to support the Council's priorities)

- Financial Standing (including the strength of the Council's financial position)

- Internal Control (including how effectively the Council maintains proper stewardship and control of its finances)

- Value for Money (including an assessment of how well the Council balances the costs and quality of its services)

For each of these themes, performance against a number of Key Lines of Enquiry (KLOE) was scored on the following basis:-

Level	Performance
1	Below minimum requirements – inadequate performance
2	Only at minimum requirements –performs adequately
3	Exceeds minimum requirements – performs well
4	Significantly exceeds minimum requirements – performs excellently

3.2   For the 2007/8 assessment, the Council's score improved from a level 2 to a level 3.

3.3   From 2008/9, as part of the change from the CPA to CAA, the Use of Resources framework was changed into 3 themes of Managing Finance, Governing the Business and Managing Resources. The same scoring framework as above was used but, instead of detailed KLOEs, which focused on processes and policies, the new framework is more outcome orientated.

4   2008/9 ASSESSMENT

4.1   A summary of the results for 2008/09 was reported to this Committee in September 2009 as part of the audit of the accounts and PKF have now provided a detailed report on their findings, which is attached. The scores for each theme, including the sub-themes is shown below:-

Theme	2008/9
Managing Finances	
1.1 Planning for financial Health	3
1.2 Understanding costs and achieving efficiencies	2
1.3 Financial reporting	2
Theme score	**2**
Governing the Business	
2.1 Commissioning and procurement	2
2.2 Use of information	3
2.3 Good governance	3

Theme	2008/9
2.4 Risk management and Internal Control	3
Theme score	**3**
Managing resources	
3.1 Natural resources	N/A
3.2 Strategic asset management	N/A
3.3 Workforce	3
Theme score	**3**
Overall Use of Resources score	**3**

4.2   For the Managing Resources theme, District Councils were only assessed on performance in managing the workforce. Managing natural resources will be assessed for the year 2009/10 and strategic asset management will be assessed for 2010/11.

4.3   The attached report includes comparisons against national scores, which shows that 29.4% of Councils scored a level 3 or above for Use of Resources.

4.4   The above scores feed into the Council's organisational assessment where a 3 was awarded for the managing performance theme and the Council received an overall level 3.

4.5   PKF have produced a detailed list of recommendations that are in the appendix to their report, together with the management response.

4.6   These recommendations will be incorporated into the Council's Strategic Improvement Plan, which is due for revision for 2010/11 and will be monitored by the Executive and the Strategic Improvement Board, which is a quarterly meeting of Council officers, Members, Audit Commission, PKF and Government Office-Eastern Region.

5   2009/10 ASSESSMENT

5.1   The assessment for the current year has already started as the timetable has been brought forward by the Audit Commission, in part to avoid the closure of accounts period. The initial results for 2009/10 will be reported to this Committee in September.

6   RISK IMPLICATIONS

6.1   The 2008/09 assessment had a completely different approach with the focus on outputs and achievements rather than processes and required a different approach from officers in preparing for the assessment. There is a reputational risk associated with external inspections and the CAA results received considerable publicity when they were published in December. The risk of not preparing adequately will be managed by holding early discussions with PKF to identify their requirements, co-ordinating evidence gathering centrally and briefing senior officers on a regular basis.

7   RESOURCE IMPLICATIONS

7.1   The 2008/09 assessment resulted in a considerable increase in workload for senior officers throughout the Council as a large amount of baseline information had to be provided to PKF so that they had a complete picture of the Council. For 2009/10, it is envisaged that the assessment will be a lighter touch, particularly in the themes where the Council scored a level 3.

8   RECOMMENDATION

8.1   It is proposed that the Committee **RESOLVES**

(1) That the detailed results of the 2008/9 Use of Resources assessment be noted.

(2) That it be noted that the recommendations will be incorporated into the Council's Strategic Improvement Plan for monitoring by the Executive.

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Background Papers:-

None.

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PKF

Accountants &
business advisers

Rochford District Council

Use of resources 2008/09

October 2009

Contents

Appendices

1 Executive summary

1.1 The use of resources assessment considers how well organisations are managing and using their resources to deliver value for money and achieve better, sustainable outcomes for local people. From 2008/09 it is structured into three themes that focus on the importance of sound and strategic financial management, strategic commissioning and good governance, and the effective management of natural resources, assets and people.

1.2 The aim of this report is to set out the key findings that support our judgements in each of the key lines of enquiry in the assessment. We have highlighted areas where the Council is performing well and indicated areas where there is scope for development in order to improve arrangements and/or outcomes and, as a consequence, progress towards a higher score.

Assessment

1.3 Our scores for each key line of enquiry (KLOE) are shown below:

Theme	2008/09
Managing Finances	
1.1 Planning for financial health	3
1.2 Understanding costs and achieving efficiencies	2
1.3 Financial reporting	2
Theme score	**2**
Governing the business	
2.1 Commissioning and procurement	2
2.2 Use of information	3
2.3 Good governance	3
2.4 Risk management and internal control	2
Theme score	**3**
Managing resources	
3.1 Natural resources	N/A[1]
3.2 Strategic asset management	N/A[2]
3.3 Workforce	3
Theme score	**3**
Overall Use of Resources score	**3**

1.4 These scores have been subject to national quality control procedures and confirmed by the Audit Commission to the Council on 19 October 2009. The scores feed into the Council's organisational assessment where a 3 was awarded for the Managing Performance theme and therefore the Council received an overall 3 in its Organisational Assessment which is to be commended.

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[1] Not scored in 2008/09 – to be assessed 2009/10
[2] Not scored in 2008/09 – to be assessed 2010/11

Key messages

Managing finances

1.5 There is a strong "golden thread" in place in respect of the Council's financial planning (KLOE 1.1), which demonstrates good integration of financial and corporate planning and the basic requirements are in place to support this. The processes also include good practices such as shifting of finances to align with corporate priorities when appropriate. These arrangements have resulted in a number of Strategic priority outcomes being delivered within planned resources that are judged to be sufficient to support a rounded level 3 score for this KLOE.

1.6 Sound baseline arrangements are in place with regard to understanding costs and achieving efficiencies (KLOE 1.2), and there is evidence of some key outcomes and pockets of good performance. However, further value for money work in some high cost areas, more detailed efficiency savings plans and comprehensive use of benchmarking and cost analysis is required to progress from level 2.

1.7 In year monitoring of the financial position was generally sound but with some scope for improvement. The outcome was achievement of both the revenue and capital budgets, efficiency savings and the Corporate Plan actions. There is also some scope to improve the timeliness of report publishing, for access by the general public. The accounts closedown and preparation processes were the key area of weakness this year and need to be reviewed and improved in light of the results of the accounts audit if higher assessment scores are to be achieved next year. Consequently, there was a mixture of level 2 and level 3 performance across the focus areas within financial reporting (KLOE 1.3) but our rounded judgement was that whilst the matters arising from the preparation of the accounts and publication of reports were not so fundamental to justify a level 1 score, they were significant enough to cap the score at level 2.

Governing the business

1.8 The Council is small and only procures one or two major contracts a year, exhibiting many level 3 characteristics when it does. However, a more strategic, co-ordinated approach to directing and monitoring commissioning and procurement activities as a whole is required to advance from the current level 2 score (KLOE 2.1).

1.9 Good baseline arrangements are in place with respect to use of information and a range of level 3 characteristics and outcomes are evident across each focus area, although there is scope to improve data security arrangements (KLOE 2.2). The Council's key strengths are its vision and leadership, the calibre of officer and member relationships and the processes in place for evaluating and improving its key partnership arrangements, all of which have resulted in improved governance for the organisation (KLOE 2.3).

1.10 The majority of the individual focus areas within risk management and internal control (KLOE 2.4) were assessed at level 2, although some of the basic internal control arrangements were weaker than desirable, with some isolated pockets of level 3 performance and outcomes. Improvement to the operational arrangements supporting the business of the Audit Committee, thorough testing of the Council's Business Continuity Plans and assessment of the robustness of the business continuity plans of the Council's key service delivery partners will need to be realised to justify improved assessment scores in future.

1.11 The Council achieved two level 2 assessments and two level 3 assessments across the four KLOEs in this theme. The Audit Commission's scoring mechanism determines that KLOE 2.2 is dominant in this theme and as this was judged to be level 3, the overall score for this theme is also level 3.

Managing resources

1.12   The natural resources (KLOE 3.1) and asset management (KLOE 3.2) KLOEs were not subject to assessment in 2008/09.

1.13   The Council's arrangements for ensuring that it maintains a productive and skilled workforce, undertakes effective workforce planning, manages organisational change, responds appropriately to diversity and exercises good people management are strong (KLOE 3.3). Additionally, the Council's evident history of continual development of the underlying staff training, recruitment, well being and human resource support processes is indicative of a strong workforce improvement culture.

1.14   The Council has been able to demonstrate a number of outcomes in this KLOE, evidencing the effectiveness of the arrangements in place and justifying an overall Level 3 assessment.

Acknowledgement

1.15   We would like to thank staff for their considerable co-operation and assistance provided to us during the course of this work.

2 Introduction

Audit approach

2.1 From 2008/09 the use of resources assessment has been revised and forms part of the Comprehensive Area Assessment. The new assessment considers how well organisations are managing and using their resources to deliver value for money and better, sustainable outcomes for local people. The assessment comprises three themes that focus on:

- Managing finances - sound and strategic financial management

- Governing the business - strategic commissioning and good governance

- Managing resources - management of natural resources, assets and people.

2.2 Each theme consists of a number of key lines of enquiry (KLOE) that form the areas of audit focus and auditors are required to score organisations against each of the KLOE. The Audit Commission specifies which KLOE are to be assessed in each year in its annual work programme and fees document. The specified KLOEs for 2008/09 and 2009/10 are set out in Appendix 1.

2.3 The new use of resources approach is more demanding than previous assessments. The KLOE are more strategic and broadly based than previously and embrace wider resource issues, such as workforce planning and in future will include the use of natural resources.

2.4 The KLOE are supported by characteristics of performance within specific focus areas, which aid auditors in making rounded judgements about performance. The characteristics are published on the Audit Commission's website as part of the use of resources guidance for auditors and audited bodies (www.audit-commission.gov.uk).

2.5 The use of resources assessment uses a four point scale from 1 to 4, with 4 being the highest. The table below summarises the underlying principles implicit in performance at levels 2, 3 and 4.

Level 2 Meets only minimum requirements – performs adequately	Level 3 Exceeds minimum requirements – performs well	Level 4 Significantly exceeds minimum requirements – performs excellently
Arrangements, that are consistent with established professional practice and guidance, meet statutory requirements and operate effectively. Arrangements sufficient to address the KLOE demonstrating, for example: organisational leadership and commitment; partnership working; and appropriate capacity and skills informed by priorities with supporting action plans as appropriate. Arrangements that achieve minimum acceptable levels of performance.	Implemented effective arrangements that are: • forward looking and proactive in identifying and developing opportunities for improvement; and • include more sophisticated measuring and assessment techniques. Outputs and outcomes demonstrate arrangements which are effective and have the intended impact. Where appropriate, the arrangements show evidence of effective partnership working. Evidence of performing consistently above minimum acceptable levels and achieving value for money.	Demonstrating innovation or best practice. Demonstrating strong outcomes for the community including through partnership working. Evidence of performing well above minimum acceptable levels and achieving excellent value for money.

2.6   The new use of resources assessment focuses more on value for money achievements, outputs and outcomes rather than on processes. Partnership, equalities and data quality themes run throughout the KLOEs.

Specific risk-based work

2.7   The summary of our findings will be reported in our Annual Audit Letter and evidence gathered during these reviews has been used to support our rounded judgements. No additional recommendations have been identified in respect of our Health Inequalities work at this time but the previous recommendations will be reviewed in the 2009/10 follow-up work.

Quality assurance

2.8   Our assessments were subject to three (internal, local and national) levels of quality assurance:

- Internal PKF consistency review on 28 May 2009

- We participated in the area based challenge covering the Essex area on 1 July 2009

- Internal PKF consistency Panel on 14 August 2009

- Our scores have also been subject to national quality control procedures on 25/26 August 2009.

2.9   The scores were confirmed by the Audit Commission to the Council on 19 October 2009 and have been included with the Council's Organisational Assessment.

Findings

2.10   The results of our review, including our scored judgements, are set out in the following sections and an action plan of recommendations is included at Appendix 2.

2.11   The report focuses on the Council's areas of strength and achieved outcomes that support level 3 assessments, and the identified weaknesses that need addressing in order to strengthen the current score or secure improved assessments in future years. Consequently, any baseline arrangements in place at the Council that only meet the minimum requirements of a Council performing adequately have not been reported in any detail.

3 Use of resources assessment

3.1 The Council has been assessed as **Level 3** – **"performing well" overall**, having scored level 2 in the managing finances theme and level 3 in the governing the business and managing resources themes.

Comparative data

3.2 The pie chart below shows the overall distribution of use of resources scores based on the final scores published by the Audit Commission, to enable the Council to compare its performance against other Districts, nationally.

Use of resources overall score

|			
□1	■2	□3	□4
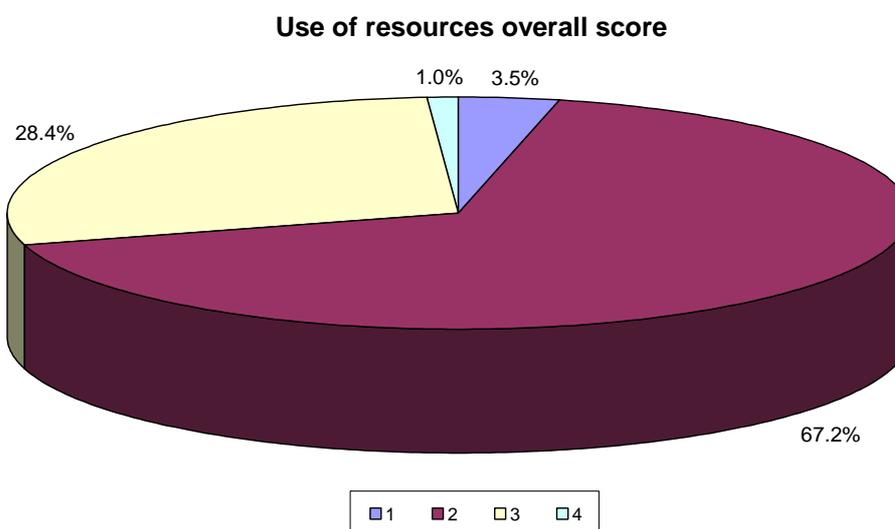
Managing finances

3.3 Financial planning should be delivered through a robust planning process; be medium to long-term; and integrate capital, revenue and treasury management planning. The budget and financial plan should reflect the organisation's key priorities and objectives for the year and the longer-term. The current focus on securing greater efficiencies and value for money means that it is essential that organisations understand what costs they incur in delivering their services and activities and the drivers that will influence and change these costs. Good financial and performance monitoring and reporting enables organisations to manage progress in delivering corporate priorities and services and in ensuring that resources are applied as intended.

Score awarded

3.4 The managing finances theme has been assessed overall at **Level 2** – "**performing adequately**".

Comparative data

3.5 The pie chart below shows the overall distribution of use of resources scores based on the final scores published by the Audit Commission, to enable the Council to compare its performance against other Districts, nationally.

11.12

Managing finances

| ■ 1 | ■ 2 | □ 3 | □ 4 |
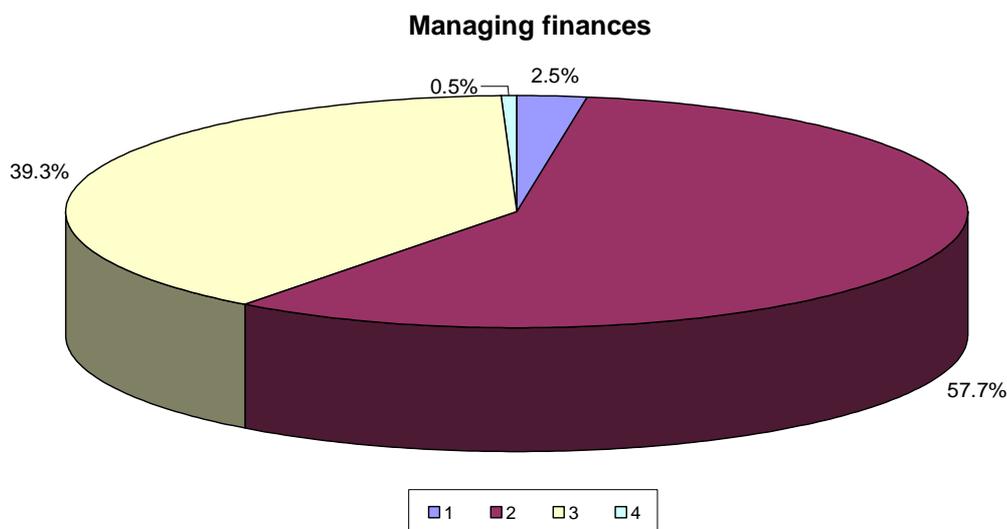
Planning for financial health

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

3.6   This element of managing finances has been assessed at **Level 3**, or "**performing wel**l".

3.7   The Council has strong baseline arrangements and exhibits a range of level 3 characteristics and outcomes across all focus areas of this KLOE.

3.8   There is a strong "golden thread" which demonstrates good integration of financial and corporate planning and the basic requirements are in place e.g. balanced budgets, adequate treasury management and management of reserves and balances.   The processes also include good practices such as shifting of finances to align with corporate priorities, when appropriate.   These arrangements have resulted in a number of Strategic priority outcomes being delivered within planned resources, including:

- Development, agreement and launch of the Sustainable Communities Strategy with partners

- Implementation of new the new waste and recycling contract and redesigned service, resulting in significant improvement to recycling rates to outturn of 50%, which is also a good example of successful redirection of resource to achieve a priority objective

- Expansion of Cherry Orchard Country Park

- Achievement of level 4 (accredited) of the Equality Standard for Local Government.

3.9   Medium term financial planning is robust and the Medium Term Financial Strategy (MTFS) development process includes extensive use of scenario modelling, including scenarios around the potential outcomes of key procurement projects, and the MTFS itself contains a financial risk analysis. The Reserves and Balances Policy is contained within the MTFS and includes risk assessment, on which the revenue balances forecasting over 5 years is based, enhancing the clarity of information available to Members when agreeing the MTFS.

3.10　　Engagement with stakeholders is good.　The Consultation Strategy is supported by a detailed Consultation Programme for the year which reflects the planned consultations set out in Divisional Plans and records the status and results of those consultations as the year progresses.　This included public consultation on spending priorities which, it can be seen, has influenced the budget.　Consultation and feedback methods are wide ranging.　They include mechanisms such as mystery shoppers, the Citizen's Panel and the three Area Committees developed by the Council (through which 1,008 attendances were recorded during the year) and there are examples of consultation appropriately targeting diverse groups.　Equality impact assessment results are referred to within Divisional Plans and each Division has a detailed Diversity Action Plan in place.

3.11　　The Council has a good track record of managing spend and continuing to achieve efficiency targets whilst maintaining and improving service delivery across most areas.　Although there was a £1.1m decrease in the General Fund balance reported in the 2008/09 draft accounts, this was in line with the planned use of balances set out in the MTFS to assist with the economic downturn impact on income.　Planned efficiencies were achieved, and exceeded.

3.12　　Performance reports (financial and non financial) are presented quarterly to The Executive, separately but at the same meetings, and there is evidence of challenge to performance, including as part of the annual mid year MTFS review.

Development areas

3.13　　As the Council has achieved a sound level 3 in the current year, it mainly needs to focus on continuing to demonstrate the achievement of priority outcomes during 2009/10 in order to maintain its score.

3.14　　The Audit Commission intends to update the assessment guidance to reflect the new duty 'to involve' that came into effect from 1 April 2009 and the Council will need to demonstrate it has successfully implemented this new guidance, if the good processes already in place are insufficient.

3.15　　Whilst the Council has delivered its efficiency targets there is an absence of detailed, structured medium term and annual plans for how those targets are expected to be delivered.　As pressures increase due to the downturn in the current financial climate it will be increasingly important for the Council to have clarity on the achievement of these targets and to be able to monitor whether those delivery plans are on track and take remedial action should it be required.

Key recommendation

3.16　　There are some overlaps with KLOE 1.2 and implementation of the recommendations made there have not been repeated here but may impact on the assessment of this KLOE:

- Develop structured, medium-term plans and detailed annual plans for the delivery of efficiency savings targets.　Monitor delivery of the targets and take appropriate recovery action where necessary.

Understanding costs and achieving efficiencies

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

3.17　　This element of managing finances has been assessed at **Level 2**, or "**adequate performance**".

3.18　　Sound baseline arrangements are in place and there is evidence of some key outcomes and pockets of good performance.　However, further value for money work in some high cost areas, more comprehensive efficiency plans and widespread use of benchmarking and cost analysis is required to progress from level 2.

3.19 Performing well elements identified within the assessment included:

- The Council's risk based rolling programme of value for money service reviews (the VFM Service Review Programme) which has resulted in some small wins for the Council in-year in terms of efficiency savings.

- Major investment appraisals such as the purchase of the Cherry Orchard site, the commissioning and procurement of the waste and recycling service and the procurement of the performance management IT system have made use of risk assessment, whole life costing and benefits analysis to inform decision making.

- Taking advantage of contracting out arrangements where it is most cost effective to do so e.g. Leisure services and the processing of NNDR claims.

- Business process re-engineering was used as a tool to enhance efficiency in the Environmental Services department (resulting in a restructure) although it is too early to identify whether this has had a significant impact on service delivery.

Development areas

3.20 The Council's understanding of its costs is adequate but its activity in this area of the assessment is largely focused on priority or known high cost areas. This is a reasonable approach for the Council to take given its overall size and capacity but does not achieve the aspirations of the assessment framework for "routine", "systematic" and "extensive" application of processes such as benchmarking, unit/transaction cost analysis, monitoring of trends in cost and output ratios and cost drivers being in place, which secure widespread efficiencies and beneficial outcomes. Consequently a level 3 assessment may be difficult for the Council to achieve.

3.21 The review methodology that informs the development of the VFM Service Review Programme assesses risk and priority based on a number of criteria including benchmarking and costing information. Each VFM service review undertaken is intended to include benchmarking and costing at transaction/unit level where appropriate, so it could be argued that there is regular use of unit/transaction cost analysis and benchmarking data but this is not systematic nor routine, cost/performance ratios and trends are not monitored over time and management information does not include reference to cost behaviours, all of which are level 3 characteristics. Also, probing into the VFM reviews identified that some did not include transaction cost analysis even when it might have been reasonable to expect it e.g. debt recovery action.

3.22 The VFM service reviews of key service areas such as procurement (which is a priority area for efficiency programme delivery), revenues and benefits (which has enjoyed improved performance this year but still high cost compared to others delivering the same level of performance), strategic housing (in the wake of LSVT) are either still ongoing or deferred to 2009/10 so it was not possible to identify outcomes.

3.23 The Council are still high cost in revenues and benefits, planning and waste collection, all of which are priority areas in which there has been specific investment. For recycling, in-year investment has brought significant performance improvement (19% to 50%). In the other two areas whilst performance has improved as a result of previous investment, comparative data suggests that there is more efficiency to be had.

3.24 The latest VFM profile tool also showed misalignment of cost/performance in Environmental and Public Health spend compared to others with similar profiles e.g. deprivation indicators. This had not been identified nor followed up by the Council although it is not a local priority area.

3.25   Efficiency targets were set at £380,000 (3%), in line with previous years, but achievement of £420,000 and the indication that costs could be further reduced in areas such as planning and environmental health, suggests that this target may not have been particularly stretching. Whilst the MTFS identifies three broad areas within which efficiencies were expected to be achieved in 2008/09, identification and documentation of detailed and specific plans to support the achievement of efficiencies were not evident.

Key recommendations

3.26   There are some overlaps with KLOE 1.1 and implementation of the recommendations made there have not been repeated here but may impact on the assessment of this KLOE.

- Consider the Council's overall appetite for advancement against this KLOE in light of the associated resource implications, as opposed to maintaining current performance.

- Expand the scope and detail of the VFM service reviews to systematically include benchmarking data, cost/performance ratios, unit/transaction cost analysis and consideration of cost driver and cost behaviour information.

- Complete the deferred priority service reviews, in procurement, revenues and benefits and strategic housing, which were due to be delivered in 2008/09.

- Further investigate the cost/performance profiles of the revenues and benefits and planning services, including more detailed benchmarking data at unit cost level, to identify the scope for, and secure, further efficiencies.

- Embed the value for money culture across the Council so that benchmarking, cost and challenge processes are routinely used as part of operational performance management rather than predominantly during the service planning/budget setting process.

Financial reporting

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

3.27   This element of managing finances has been assessed at **Level 2**, or "**adequate performance**".

3.28   Financial management and reporting arrangements are adequate. Some arrangements have been improved through the year but impact and outcomes will not be evident until 2009/10. Primary barriers to a Level 3 judgement are simple monthly apportionment of budgets being used instead of more fit for purpose and relevant budget profiling and the need to strengthen the quality of the draft accounts submitted for audit.

3.29   Budget monitoring information is available in good time, with budget holders receiving weekly reports on their budgets and, within one week of the month end receiving budget exception reports. During 2008/09 the finance team started rolling out real time access to all budget holders; however, this was not completed until 2009/10. The financial system, Dimensions, has a flexible reporting function that is used to produce a number of specialist reports when required.

3.30   Quarterly reports to the executive, one for revenue and one for capital, are tailored to include the high risk budgets and budgets which break the Council's stated variance tolerance criteria. The reports received by The Executive sometimes include activity information such as penalty notices and car parking ticket sales, which links into the financial information provided, improving Member understanding of variations and their reasons. However, there is scope to include non-financial, contextual data into reports more routinely, to aid the decision making and challenge processes.

3.31   The effectiveness of budgetary control and financial monitoring processes is demonstrated by the achievement of the 2008/09 capital and revenue budgets and efficiency targets.

11.16

3.32   The financial performance of key partnerships, and the financial contribution made to them, is evaluated as part of the Council's rolling programme of partnership reviews as described under KLOE 2.3 below.

3.33   Formal consultation on the format and content of the Annual Report was undertaken last year and has been carried forward into this year, demonstrating that user needs have been taken into account.

Development areas

3.34   Budgets are profiled on a simple $1/12^{th}$ monthly allocation rather than utilising more sophisticated and relevant profiling. This undermines the value of budget reporting as variances are not drawn up by comparison of actual performance against a reasonable and accurate prediction of budget to date.

3.35   The quality of the draft accounts presented for audit was not as good as those received in the previous year. Consequently the audit of the accounts resulted in an increase in the number or errors requiring correction or reporting, some of which were material. The majority of the material errors were in respect of matters of disclosure and/or interpretation of the Statement of recommended Practice (SORP) for local government accounts, which had no impact on the reported deficit in the Income and Expenditure Account.

3.36   Capital accounting was a specific area of weakness which will need to be addressed going forward. A number of issues were identified, particularly around asset valuation, depreciation and impairment, one of which resulted in a material error that impacted on the Council's reported outturn in the Income and Expenditure Account. However, the nature of these entries is such that they are reversed out through the Council's Statement of Movement on the General Fund Balance and so there was no resultant impact on council tax payers. Whilst this clearly requires improvement, the nature of these errors were not considered to be fundamental to the accounts and, consequently, our rounded judgement was that they were not sufficient in themselves to warrant a level 1 assessment in respect of this KLOE.

3.37   At the time of our review the Council had not published its Annual Report for 2008/09, and it remains unpublished at the time of reporting. Also, the most recent Annual Audit & Inspection Letter (2007/08) could not be located on the Council's website. Accessible and timely publishing of these reports is considered to underpin the Council's accountability to stakeholders for the proper stewardship and use of the Council's resources.

Key recommendations

- Improve the functionality and quality of budget monitoring reports by increasing the sophistication of budget profiling information against which actual performance is monitored.

- Undertake a post audit review of the accounts closedown and preparation procedures in light of the accounts audit findings reported to Members in our Annual Governance Report in September 2009. The review should focus on identifying critical control points within the process that were either absent or ineffective and implementing arrangements to prevent recurrence in future years.

- Provide targeted capital accounting training to relevant staff within the Finance Department and/or consider procuring shared specialist capital accounting resource and technical support for the finance function.

- Provide timely public access to the most recent Annual Audit [& Inspection] Letter via the Council's website and in other accessible formats.

11.17

- Complete, and publish via the Council's website and in other accessible formats, the 2008/09 Annual Report. The format and content of the report should draw on the results of consultation undertaken in the previous year but, as a minimum, should include a balanced and objective assessment of the Council's achievements during the year, a summary of financial performance and environmental and social information that focuses on the Council's own impact on the environment and its environmental footprint.

Governing the business

3.38   The Local Government and Public Involvement in Health Act 2007 introduced a clear focus on local public service partners working together to provide better outcomes for local communities. A key means of delivering these better outcomes is through effective commissioning, by assessing the needs of the local community, designing services, and then securing them through appropriate procurement processes. Information used in decision making should be based on good data quality. It is also important that there are proactive governance arrangements, and effective risk management and internal control systems in place.

Score awarded

3.39   The governing the business theme has been assessed overall at **Level 3** or "**performing well**".

Comparative data

3.40   The pie chart below shows the overall distribution of use of resources scores based on the final scores published by the Audit Commission, to enable the Council to compare its performance against other Districts, nationally.

Governing the business

0.5%   2.5%

24.9%

72.1%

□ 1   ■ 2   □ 3   □ 4
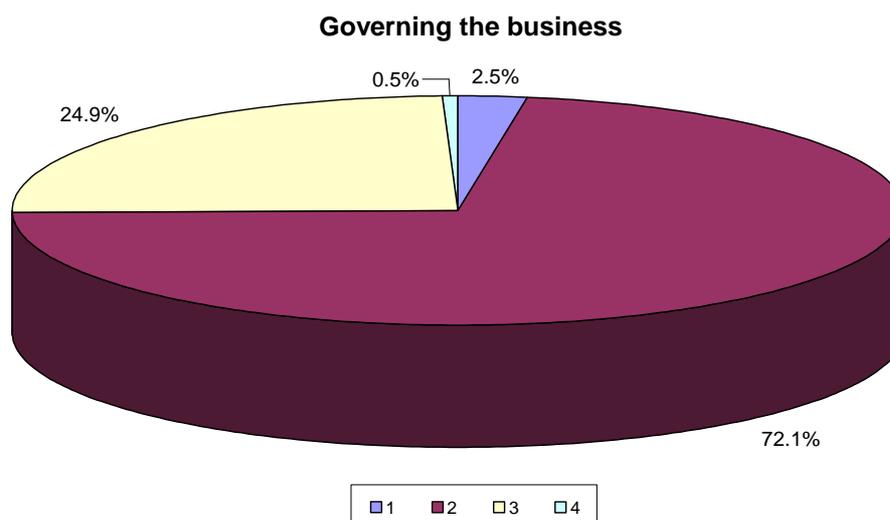
Commissioning and procurement

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?

3.41   This element of governing the business has been assessed at **Level 2** or "**adequate performance**".

3.42   The Council is small and only procures one or two major contracts a year, exhibiting many level 3 characteristics when it does. However, there is no real sense of a strategic approach to commissioning and procurement activities as a whole, which seem somewhat fragmented, and delivery of the overarching procurement plan has not yet been achieved. These are key barriers to progression to Level 3 overall for this KLOE.

3.43   This KLOE is particularly broad in the range and volume of areas it assesses, making it a demanding KLOE that is difficult to attain level 3 in (particularly for councils with limited resources). The focus areas covered by the KLOE are:

- Clear vision of expected outcomes

- Extensive involvement in commissioning

- Improvement through service redesign

- Understanding the supply market

- Evaluation of procurement options

- Reviewing service competitiveness and achieving value for money and wider objectives.

3.44   The Council's work to commission and procure the new waste and recycling management contract adopted some practices that are considered to be strengths, such as a competitive dialogue approach to consultation on the structure and format of the contract, evidence of the use of whole life costing and consideration of sustainability issues and specific consideration of different user needs made in the design of the service e.g. users with a disability. The successful implementation of this redesigned service has resulted in the Council's recycling rate increasing dramatically from 19% to 50% in the year.

3.45   The Council's commitment to exploring the possibilities of achieving efficiencies through service redesign is evident from its rolling programme of VFM service reviews, which resulted in 2008/09 outcomes such as savings being achieved through the reorganisation of the Environmental Services department, after business process re-engineering work was completed. It has also sought to maximise IT usage to improve service access and exploit IT related efficiencies, this includes full web redesign promoting online payment mechanisms and implementation of the COMINO document management system.

3.46   Other successful outcomes with level 3 components were realised during the year, on a smaller scale, including utilisation of the Procurement Agency for Essex to maximise the benefits of joint procurement activity e.g. equalities and diversity consultancy and some IT being jointly procured with other councils. E-learning tools were also jointly procured during the year through the Essex Human Resources Partnership.

3.47   Other strengths and good practice identified were:

- User friendly guidance available on the Council's website in the form of the *Selling to the Council* guide for prospective contractors

- Continued successful outsourcing of the Council's leisure facilities and NNDR processing

- Involvement of service users in redesign based projects e.g. access to services reviews.

Development areas

3.48   The Council has a Procurement Strategy but it is 'stand alone' in nature and does not clearly align with the Corporate Plan. The Strategy action plan, which had implementation dates to June 2008, has not been fully delivered and has not been formally monitored by or reported to any Council group or committee. Most notably there is no forward planning strategy for procurement after 2008/09, although it is recognised that major procurement activities are captured in the *Key Policies and Actions* paper that supports the Corporate Plan. This prevents the Council from being able to demonstrate that its procurement processes are strategically led and properly aligned with its vision and corporate objectives.

3.49   The Financial Programmes Group has responsibility for monitoring procurement activity but has not covered all of the relevant responsibilities set out in its Terms of Reference during the year. Procurement projects are managed by the relevant Head of Service, reporting to the Financial Programmes Group or directly to the relevant Portfolio Holder (for "larger" projects although there is no clear definition of this term). The Head of Finance, Audit and Performance has a role to play in the oversight of procurement activity as the nominated 'strategic lead'. These arrangements, whilst not considered to be defective, are not demonstrably co-ordinated, which undermines the ability of the Council to form a strategic view on the value for money of its procurement activities. We understand that the Council is currently considering the business case for a dedicated procurement officer post.

3.50   Whilst the Council has a strong body of knowledge about the inequalities and diversities amongst its service users and other needs assessment based information, which is accounted for in the development of the strategic and divisional planning processes, it is not clear that this knowledge is routinely and fully utilised when procuring for services or considering service redesign.

3.51   There is a level 2 expectation that Councils will monitor up to date information on their 'off contract spend' i.e. what could have been procured by contracts but was not, with a clear plan to extend contracts to cover those areas of spend. Whilst off contract spend is 'notified' annually via the PAE, nothing further is done with this information.

Key recommendations

3.52   There are a number of links to KLOE 1.2 in terms of procurement and benchmarking therefore recommendations made there have not been reported again in this section but it should be noted that progress made against those recommendations will also inform the future score of this KLOE.

- Update the Procurement Strategy and its action plan, widening its scope to ensure that it encompasses commissioning[3] as well as procurement[4] strategy, and ensuring that it demonstrably aligns with the Corporate Plan and Sustainable Communities Strategy.

- Design and implement a centrally maintained commissioning and procurement monitoring tool which co-ordinates information on the range of procurement activities being managed by Heads of Service. This should include, amongst other things, monitoring information on the status of the project, expected benefits, savings or efficiencies to be achieved from the project and the actual outcomes achieved. This should be reported to the Financial Programmes Group and, from there, into the Member arena as required.

- Improve the links between the commissioning or procurement cases for projects/contracts and the Council's strategic objectives and other needs assessment information available to the Council to show resources and priorities are being aligned to the areas of greatest need.

- Involve users in each aspect of the commissioning cycle for larger projects and retain evidence of the impact of this engagement. This should include systematic use of customer feedback/satisfaction surveys across all key services (particularly as part of needs assessment and reviewing performance).

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[3] Commissioning is defined as the entire cycle of assessing the needs of people in a local area, designing services and then securing them.

[4] Procurement is defined as covering the specific activities within the commissioning cycle that focus on the process of buying services, from the initial advertising through to the final contract arrangements.

11.20

Use of information

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

3.53   This element of governing the business has been assessed at **Level 3** or "**performing well**".

3.54   The Council has strong baseline arrangements in place which are working effectively. A range of Level 3 characteristics and outcomes are also evident across each focus area, although data security arrangements can be further improved.

3.55   Data integrity and validation processes occur throughout the year and not just at year end. Quarterly 'sense checks' are completed on data input to the Council's performance management framework, which has resulted in validation challenges and improved data quality. The Council can evidence that these operational processes undertaken by Heads of Service and the Performance Management Team have resulted in fewer errors being identified in performance indicator audits.

3.56   There is a healthy scepticism for externally provided data. Some is test checked routinely and there is evidence of action being taken in response to quality issues and late data e.g. meetings with contractors to work with them on understanding the Council's data quality needs and securing provision of reliable data throughout the contract period. There is open and constructive sharing of data with key partners including for example, sharing of commercially sensitive data by the Council's leisure services partner.

3.57   Information reported to Members is considered fit for purpose, suitably summarised and includes external comparative information in respect of national quartile position as well as wider data such as customer survey results and demographic information where possible and appropriate. A Member questionnaire was used to canvass reporting needs, the response rate was low but it is evident that modifications were made as a result of this and other ad hoc requests received.

3.58   The assessment framework anticipates that basic arrangements (level 2) will include dedicated IT systems that manage performance data with the minimum manual intervention and does not rely on databases and spreadsheets that have a large degree of manual intervention. The Council's Performance Management system is not an automated IT system, it is a comprehensive suite of linked Excel workbooks. However, the workbooks maximise the capabilities of Excel in terms of use of filters, links and conditional formatting and can support count once use numerous times (COUNT) principles e.g. population data is input once for use in all relevant indicators, early warning due date flagging mechanisms and links through to a 'reporting' workbook automatically which populates the Performance Assessment Board and Member reports. Consequently, manual intervention is minimised.

3.59   Given that the Council has sound, risk focused data validation arrangements and can evidence that the results of data quality reviews are generally good, and the error rates are low and reducing, we have concluded that these arrangements are as effective as a dedicated IT system and achieve equivalent outcomes. However, the Council recognises that the administration costs of the existing arrangements are high and so a Performance Management IT system was procured in 2009/10 to run parallel with the existing system in 2010/11, and achieve better value for money. This will also assist with the enhancement of right first time principles within the Council.

3.60   There is dedicated resource supporting the performance management function. It is evident that the Council uses performance management information to identify areas of underperformance in corporate priority areas and appropriately align resources to those areas in order to drive performance improvement and achieve better value for money, for example, the allocation of resources to the redesign of the waste and recycling service which resulted in improved indicator performance from 19% to 50%. Performance information is also linked back to the rolling programme of value for money reviews completed, where appropriate.

3.61   Other performance management outcomes include 98% implementation of the workforce development plan, and 68% implementation of the Council's strategic key actions due to be implemented in 2008/09 flowing from the Corporate Plan (with the remainder being assessed as 'green' as they are partially implemented).

Development areas

3.62   Our spot check and HBCOUNT (benefits grant claim testing) work did not identify any significant or systematic data quality issues other than the fact that the Rayleigh Windmill visits data is based on a manual 'tick sheet' system operated by volunteers. This process is largely outside of the control of the Council. As such the data collected is inherently risky in terms of accuracy and is almost impossible to subject to validation checks. In this context we would contend that it is not fit for purpose as a key performance indicator.

3.63   Data security arrangements are adequate and the level of security incidents is low. However, arrangements could be strengthened by reviewing the suite of data security and IT user policies, which have not been formally updated since 2007, and updating them to reflect good practice standards and public sector policy guidance e.g. ISO27001 and Codes of Connection for Government Secure Intranet and Government Connect.

Key recommendations

- Review and update the suite of data security and IT user policies to reflect good practice standards and public sector policy guidance e.g. ISO27001 and Codes of Connection for Government secure Intranet and Government Connect.

- Reconsider the status of the number of visits to Rayleigh Windmill as a reported key performance indicator in light of the inherent difficulties in ensuring a control environment that will secure accuracy of the data collected.

Good governance

> **KLOE 2.3: Does the organisation promote and demonstrate the principles and values of good governance?**

3.64   Overall this element of governing the business has been assessed at **Level 3**, or "**performing well**".

3.65   The majority of the individual focus areas within the KLOE were assessed at level 3, with a number of areas of good practice identified. However, there is scope for improvement in member training attendance levels and the framework within which assessment of members' development needs are determined.

3.66   The majority of the basic procedures and arrangements at Level 2 are in place and operating effectively. The outcomes associated with the effectiveness of these procedures are:

- no breaches of the codes of conduct by members or staff, no whistle-blowing cases and no upheld complaints regarding member conduct (2 were made) during the year

- evidence of action being taken in response to complaints and suggestions made by members of the public, for example, re-designing the Council's website and some of the standard documentation.

3.67   There are strong, open and constructive working relationships between officers and members and this is supporting the Council's ability to demonstrate good leadership and vision in the delivery of its aims and objectives.

3.68   Vision and ambition are themselves areas of strength within the Council and the Chief Executive produces, annually, *From Vision to Reality*, an externally facing, user-friendly report, which aims to consolidate the key streams of its strategic level activity, grouped by corporate objective, within one document. This complements the Corporate Plan and is considered to add value to the arrangements for publicly reporting the Council's plans.

3.69   Partnership governance is another area of strength for the Council, where the existing 3 year rolling programme of partnership reviews is considered to be good practice.   These comprehensive reviews cover the governance, risk management and performance management arrangements as well as outcomes to date and added value considerations. Conclusions are made on whether to continue with the partnership based on the outcomes from, and added value of, the partnership arrangements. Improvement recommendations arising from the partnership reviews are reported back to the partnership which has resulted in, for example, development of joint risk registers for some. The partnership review reports are received by the Audit Committee for consideration.

Development areas

3.70   Members' training needs are self-assessed annually using a questionnaire based approach, completed by individual Members and collated by the Committee Team. This information is used to develop the member training programme for the following year. However, there is no clear definition of what skills and knowledge might be expected for members of particular committees, to equip members to make informed training needs self assessments. Also the Council's members do not have individual personal development plans in place, which is a level 3 performance characteristic.

3.71   The Council provided 19 member training courses in 2008/09, as well as mentoring for portfolio holders, but low course attendance levels was an issue, with attendance rates estimated at 42% for the year. Feedback from some members suggests that this is, in part, a consequence of the way that the training offer is packaged, for example, perceived lack of prior consultation on appropriate dates and time for training (to maximise attendance) when only one running of a course is likely. Enquiries identified that Council approved a schedule of dates set aside for training at the beginning of the year although which specific training is to be delivered on which of those dates is determined as the year progresses.

3.72   Specific ethics training is provided each year and the Council were previously assessed using the Ethical Governance Toolkit, the action plan for which was implemented during 2007/08, with practices continuing into 2008/09. This is best practice, however, member attendance at this training in 2008/09 was low, with only 16 of the 39 members present (41%). This may be acceptable if appropriate training has previously been received by the remaining members, but it is not clear whether this was the case.

3.73   Low attendance rates on member training courses and the lack of a defined framework within which members' development needs can be assessed undermines the strength of the Council's governance arrangements and its ability to evidence a robust ethical culture throughout the organisation.

3.74   The Council fosters a culture of openness, honesty and integrity through its processes but could do more to enhance this by making a greater range of information available on its website e.g. registers of interest, gifts and hospitality for members and officers.

Key recommendations

- Strengthen the support provided to members by equipping them with the tools required to robustly assess their training and development needs. This should include development of a Committee competencies framework to assist with the identification of skills gaps for which members of particular committees may wish to receive training, and introduction of Personal Development Plans for individual members that are informed by independent assessment processes (for example 360 degree feedback).

11.23

- Explore the reasons for low attendance levels at member training events, perhaps through a workshop style session with Members that results in an agreed action plan to address issues raised.

- Reinforce the Council's culture of openness, honesty and integrity by including a statement on the Council's website about the availability of the members' and senior officers' registers of interests, gifts and hospitality for public inspection, specifying how, where and when they can be inspected. Best practice would be to publish the registers in part or full, on the Council's website (giving due regard to the requirements of the Data Protection Act).

Risk management and internal control

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

3.75   Overall this element of governing the business has been assessed at **Level 2**, or "**performing adequately**".

3.76   The majority of the individual focus areas within the KLOE were assessed at level 2, although some of these basic arrangements were weaker than desirable, with some isolated pockets of level 3 performance and outcomes.

3.77   There is a clear commitment to proper risk management demonstrated by officers and members and risk management is embedded into the operational business of the Council. An element of demonstrable good practice is the existence of joint risk registers for some key partnerships although there is limited evidence that the Council receives reports on the effective management of those risks to determine their impact on the Council's own standing, or has achieved any specific outcomes from these processes.

3.78   Appropriate anti-fraud arrangements are in place and support the conclusion that the low level of fraud identified within the Council is not as a result of deficient processes, but as a consequence of the effectiveness of arrangements.

3.79   The Audit Committee delivers the core functions expected of it, as defined by CIPFA, but its activities could be better facilitated and evidenced, as set out below. The Internal Audit function and other internal control arrangements operate well and there are only a small number of significant weaknesses identified from the various arrangements for reporting in the Annual Governance Statement.

Development areas

3.80   It is generally more difficult to achieve a higher score in this KLOE than most others because it is process based and demonstrable outcomes are difficult to evidence. However, there are also some areas of weakness, within the level 2 arrangements, that the Council need to address as these are currently a key barrier to progression. These are outlined below.

3.81   The Audit Committee (which is charged with the responsibility of overseeing the proper operation of the risk management framework) only received the Corporate Risk Register and Framework once during the year. This is insufficient to demonstrate robust and routine governance over the effectiveness of risk management arrangements. Also, the Corporate Risk Register does not clearly link risks back to the Council's strategic objectives, so it is not possible to consider risk management arrangements in the context of strategic relevance or priority.

3.82   The Council has an up to date Business Continuity Plan in place but could not evidence that this had been robustly tested, other than for the ICT parts.

3.83   The Revenue Investigation Team successfully prosecuted 15 cases of benefit fraud during the year but none of these were publicised by the Council in order to create a stronger deterrent effect.

3.84   Development of other more process based arrangements to support the work of the Audit Committee, such as a schedule of business, would strengthen the baseline from which its members can provide, and demonstrate, appropriate challenge to officers.

3.85   There is also opportunity for the Council to improve its arrangements further in pursuance of a level 3 assessment in future years. This would require action to be taken in respect of the issues identified in the following paragraphs, although this is not a definitive 'list' as a rounded judgement will be applied.

3.86   There was no assessment of the effectiveness of the Audit Committee undertaken during the year. Whilst we do not judge the Audit Committee to be ineffective, formal assessment constitutes good evidence of the Council's pro-activity in respect of continuous improvement to internal control arrangements. The Council recognised the need for tailored training for Audit Committee members to support the further development of the Audit Committee, but was unable to deliver this until after the year end.

3.87   The Council is not currently gathering assurances, based on risk to the delivery of key services, of the viability of its significant contractors' and partners' business continuity plans. Obtaining such information would enable the Council to satisfy itself of the adequacy of significant internal control arrangements operated on its behalf and request action and update its own risk register to reflect any areas where assurances cannot be gained.

Key recommendations

- Present the Corporate Risk Register to the Audit Committee for review, at least twice a year.

- Rigorously test the Council's Business Continuity Plan, at least annually, and develop mechanisms to gather assurances over the viability of the business continuity plans of key service delivery partners.

- Publicise the results of successful fraud prosecutions, both internally and externally.

- Create a schedule of business for the Audit Committee, which is reviewed at the start of each year and designed to ensure the completeness and timeliness of Audit Committee activity.

- Undertake an annual assessment of Audit Committee effectiveness and demonstrate that action is being taken to address weaknesses identified in existing arrangements and that best practice is being pursued where practical to do so.

Managing resources

3.88   Effective management of natural resources, assets and people is essential for providing value for money, enhancing public services and delivering wider economic, environmental and social outcomes for local communities. Councils can make a significant contribution to achieving sustainable development by reducing their own consumption of natural resources. Good asset management is necessary to ensure that assets are sustainable and fit for purpose and involves the organisation disposing of assets it doesn't need; maintaining, rationalising and developing the assets it keeps; and acquiring and building the assets it needs. To make the most of their resources and to improve residents' satisfaction, Local Authorities need to ensure they have the right staff with the right skills and commitment to achieving the organisation's strategic objectives.

Score awarded

3.89   The managing resources theme has been assessed overall at **Level 3** or "**performing well**".

Comparative data

3.90   The pie chart below shows the overall distribution of use of resources scores based on the final scores published by the Audit Commission, to enable the Council to compare its performance against other Districts, nationally.

Managing resources

☐ 1	■ 2	☐ 3	☐ 4
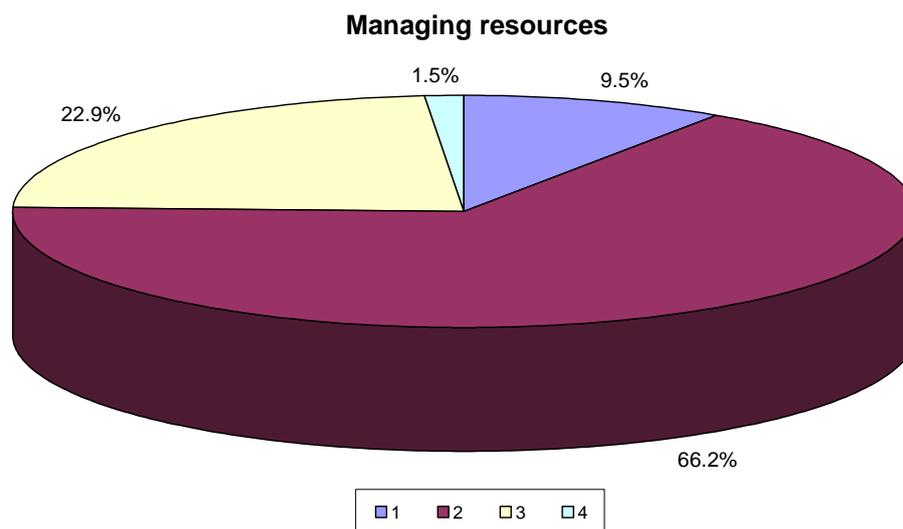
Natural resources

KLOE 3.1: Is the organisation making effective use of natural resources?

3.91   This key line of enquiry was not assessed for District Council's in 2008/09 under the Audit Commission's annual work programme and fees document. It will be included in the 2009/10 assessment.

Strategic asset management

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

3.92   This key line of enquiry was not assessed for District Council's in 2008/09 under the Audit Commission's annual work programme and fees document. It will be included in the 2010/11 assessment.

Workforce

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

3.93   This element of governing the business has been assessed at **Level 3** or "**performing well**".

3.94   This is an area of notable strength for the Council. The basic arrangements expected are in place and operating effectively and a significant number of level 3 characteristics and outcomes are evident across all focus areas within this KLOE. Also, the Council already has some plans in place to improve in its weaker areas.

3.95 Leadership development is a well established, proactive process that is integral to the delivery of the workforce plan over the long term. Leadership Development programmes have been delivered routinely since 2005 with graduates from the Essex Leadership Centre of Excellence as well as local delivery of tailored Tribal Management Development training in 2008/09. The latter was delivered to a range of front line, middle and senior managers and targeted core skills such as change management, performance improvement, community leadership, performance management, achieving value for money and partnership working.

3.96 Divisional Career Matrices are in place and provide clarity around career progression requirements, aiding succession planning.

3.97 The Council received a Positive About Disabled People Award, is Investors in People accredited and also achieved an accredited level 4 in the Equality Standard for Local Government. Staff satisfaction is high at 83%. This strengthens the Council's branding and marketing of itself as an employer of choice.

3.98 The recruitment policy was amended in year to require internal advertising of all posts in the first instance, followed by external advertising, which includes the Council's website (which has been successfully utilised for e-recruitment) and in the reception areas. This policy change generated savings of £35,000 being realised in the cost of external advertising in the last six months of the year with no associated drop in recruitment success.

3.99 Staff turnover and sickness absence have continued to reduce and are low at 7% and 3.5 days exc. long term sickness, respectively. A range of initiatives are employed to improve recruitment and retention and the well-being of staff, the success of which is considered to have underpinned the low turnover and sickness rates.

3.100 The range of schemes include exceptional performance rewards, attendance rewards, a counselling service, health screening checks and a Quit Smoking Support programme. The latter is provided in partnership with NHS South East Essex and 4 out of 7 smokers starting the programme successfully quit in the year.

3.101 An innovative example of workforce development on a whole team basis is the Esprit Programme operated for the Revenues and Benefits service staff. The programme was developed in response to performance issues identified in the department, the underlying causes of which were thought to be high staff turnover, poor sickness record/high absence rates, performance against targets deteriorating and perceived low morale.

3.102 The programme was developed and delivered as a series of modules, in consultation with staff, starting with awareness and self assessment workshops. Modules were tailored specifically for the revenues and benefits staff and covered stress and other well-being issues, team building and career progression. The impact of this initiative was still being evaluated at the time of this review but anecdotal evidence from Managers is that successful implementation has resulted in reduced sickness absence, improved performance and a perceived improvement in morale within the department in 2009/10.

3.103 The Council is also a leading participant in the Essex HR Partnership which is included within the Improvement and Development Agency's (IDeA) good practice library as a leading example of collaborative working.

3.104 The Council is small and has not been subject to widespread organisational change, nevertheless a Managing Restructures Policy in place and senior staff have been trained in change management. A nominated human resources lead worked alongside the Head of Service in planning and implementing the most recent organisational changes, within the Environmental Services department. There is evidence of regular communications and consultation with staff about the proposed changes and this involved the Union Representative. Post implementation review of the restructure has not yet been completed although some feedback has been sought from staff that left, through exit interviews. The most recent organisational change prior to this was LSVT in September 2007, from which there have been no post implementation workforce related issues arising.

3.105   These arrangements and the Council's evident history of continual evolution of the underlying staff training, recruitment, development, well being and HR support processes is indicative of a strong workforce improvement culture.

Development areas

3.106   As the Council has achieved a sound level 3 in the current year, it mainly needs to focus on continuing to demonstrate the achievement of priority outcomes during 2009/10 in order to maintain its score.

3.107   The Council had a Workforce Development Plan (WDP) for 2004-2009, from which the majority of action points have been implemented. It is envisaged that the WDP will be influenced by the annual round of strategic and divisional planning, but it is not easy to demonstrate how this occurred in practice and the links between these processes and their impact on the WDP require clarification and strengthening.

3.108   The Council collate and report annual statistics that profile the workforce. However the report does not routinely benchmark the Council's data against national or regional data, and so lacks context. Also, no evidence could be found to show how this had influenced the WDP.

Key recommendations

- Update the Workforce Development Plan for the medium term, ensuring that it demonstrably aligns with the Corporate Plan. The updated Plan should set out current staffing levels, identify what staff are needed to deliver the Corporate Plan over the next 3 to 5 years and how these needs will be met.

- Improve the links between the Corporate and Divisional Planning process and workforce planning.

- Benchmark workforce data and utilise this information in the formulation of the detailed workforce plan.

- Evaluate and document the impact of the Esprit programme and determine which elements of it are readily transferrable to other service departments, or can be harnessed for alternate internal use. This will maximise the benefit and value for money of the Council's investment.

- Undertake and document formal post implementation review of the restructure of the Environmental Services department to determine the impact of the change and whether the expected benefits have been realised.

11.28

Appendix 1 – Specified KLOE for 2008/09 and 2009/10

Key Line of enquiry	Assessed in 2008/09	Assessed in 2009/10
1.1 Planning for financial health	✓	✓
1.2 Understanding costs and achieving efficiencies	✓	✓
1.3 Financial reporting	✓	✓
2.1 Commissioning and procurement	✓	✓
2.2 Use of information	✓	✓
2.3 Good governance	✓	✓
2.4 Risk management and internal control	✓	✓
3.1 Natural resources	N/A	✓
3.2 Strategic asset management	N/A	N/A
3.3 Workforce	✓	N/A

N/A = Not scored in this year

11.29

Appendix 2 – Action plan

	Recommendations	Priority	Management response	Responsibility	Timing
Managing finances					
KLOE 1.1: Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?					
1.	Develop structured medium term plans and detailed annual plans for the delivery of efficiency savings targets.	Medium	Agreed. An update on the savings for 2009/10 was reported to the Executive in June 2009 and the majority of savings incorporated into budgets at the mid year review, agreed by Council in December.	Head of Finance, Audit and Performance Management	Completed
2.	Monitor delivery of the detailed efficiency savings plans and targets and take appropriate recovery action where necessary.	Medium	Agreed. As above.	Head of Finance, Audit and Performance Management	Completed
KLOE 1.2: Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?					
3.	Consider the Council's overall appetite for advancement against this KLOE in light of associated resource implications.	High	The Council considers that the current approach to understanding and benchmarking costs is proportionate to an organisation the size of Rochford which cannot justify employing teams of financial analysts. However, officers will continue to develop existing approaches in a pragmatic way.	Head of Finance, Audit and Performance Management	April 2010
4.	Expand the scope and detail of the VFM service reviews to systematically include benchmarking data, cost/performance ratios, unit/transaction cost analysis and consideration of cost driver and cost behaviour information.	Medium	Agreed. The VFM Service Reviews will continue to be developed and where appropriate the costing techniques mentioned in the recommendation will be incorporated.	Senior Performance Management Officer	April 2010
5.	Complete the deferred priority service reviews, in procurement, revenues and benefits and strategic housing, which were due to be delivered in 2008/09.	High	Agreed. Procurement review is underway and will be completed this year. The review of Revenues and Benefits is the ongoing work towards a partnership arrangement with Castle Point and will not be completed this year. Strategic Housing review will be complete by the end of the year.	Head of Finance, Audit and Performance Management	April 2010

	Recommendations	Priority	Management response	Responsibility	Timing
6.	Further investigate the cost/performance profiles of the revenues and benefits and planning services, including more detailed benchmarking data at unit cost level, to identify the scope for, and secure, further efficiencies.	High	Cost and performance comparisons for Council Tax & Benefits commenced in 2008/09 through the CIPFA benchmarking clubs. Data and reports collected from exercise are now being evaluated to identify opportunities for making efficiencies	Head of Community Services Head of Planning and Transportation	March 2010
7.	Embed the value for money culture across the Council so that benchmarking, cost and challenge processes are routinely used as part of operational performance management rather than predominantly during the service planning/budget setting process.	High	Target challenge, management 1:1, and recommendations for Executive or Portfolio Holder decisions to include VFM data and whole life costing as appropriate.	Head of Finance, Audit and Performance Management	April 2010
8.	Investigate reasons for misalignment of the Environmental and Public Health spend identified in the latest Audit Commission VFM profile tool.	Low	This will be investigated by Head of Finance, Audit and Performance Management and reported to the Service Development and Improvement Management team, as the management group with responsibility for VFM	Head of Finance, Audit and Performance Management	January 2010
KLOE 1.3: Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?					
9.	Improve the functionality and quality of budget monitoring reports by increasing the sophistication of budget profiling information against which actual performance is monitored.	High	Almost £5m of the Council's expenditure is related to contracts and £7m is salaries, both of which are regular monthly payments, where profiling would add little value. The Council uses budget profiling for material items of income such as parking or planning. The quarterly budget monitoring reports have been redesigned and now forecast the likely outturn for the end of year by cost centre, using profiling.	Senior Accountant	Completed
10.	Undertake a post audit review of the accounts closedown and preparation procedures in light of the accounts audit findings reported to Members in our Annual Governance Report in September 2009. The review should focus on identifying critical control points within the process that were either absent or ineffective and implementing arrangements to prevent recurrence in future years.	High	This has been completed and the risk register for the accounts process has been amended so that the issues are picked up in the planning for next year. The main issues identified relate to software and training, both of which will be addressed before the 2009/10 close down.	Head of Finance, Audit and Performance Management	Completed

	Recommendations	Priority	Management response	Responsibility	Timing
11.	Provide targeted capital accounting training to relevant staff within the Finance Department and/or consider procuring shared specialist capital accounting resource and technical support for the finance function.	High	Agreed.	Head of Finance, Audit and Performance Management	March 2010
12.	Provide timely public access to the most recent Annual Audit & Inspection Letter via the Council's website and in other accessible formats.	High	The Annual Audit & Inspection letter for 2007/08 and 2008/09 are both published on committee system. It is noted that the auditors would now like it published separately and more clearly on the Council's website and this has been arranged.	Head of Finance, Audit and Performance Management	Completed
13.	Complete, and publish via the Council's website and in other accessible formats, the 2008/09 Annual Report. This format and content of the report should draw on the results of consultation undertaken in the previous year but, as a minimum, should include a balanced and objective assessment of the Council's achievements during the year, a summary of financial performance and environmental and social information that focuses on the Council's own impact on the environment and its environmental footprint.	Medium	The Annual Report has now been be published on the website and a summary will be included in the next edition of Rochford District Matters. The remaining recommendation will be addressed for the 2009/10 Annual Report which will be published in August 2010.	Head of Finance, Audit and Performance Management	August 2010
Governing the business					
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?					
14.	Update the Procurement Strategy and its action plan, widening its scope to ensure that it encompasses commissioning[5] as well as procurement[6] strategy, and ensuring that it demonstrably aligns with the Corporate Plan and Sustainable Communities Strategy.	High	Agreed.	Head of Finance, Audit and Performance Management	March 2010

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[5] Commissioning is defined as the entire cycle of assessing the needs of people in a local area, designing services and then securing them.

[6] Procurement is defined as covering the specific activities within the commissioning cycle that focus on the process of buying services, from the initial advertising through to the final contract arrangements.

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	Recommendations	Priority	Management response	Responsibility	Timing
15.	Design and implement a centrally maintained commissioning and procurement monitoring tool which co-ordinates information on the range of procurement activities managed by Heads of Service. This should include, amongst other things, monitoring information on the status of the project, expected benefits, savings or efficiencies to be achieved from the project and the actual outcomes achieved.	High	The Council does not have a central procurement function so there will be a resource implication to meeting this recommendation. The cost / benefits of introducing such a tool will be considered in the new year.	Head of Finance, Audit and Performance Management	September 2010
16.	Regularly present the commissioning and procurement monitoring tool to the Financial Programmes Group and then into the Member arena as required.	High	Linked to above.	Head of Finance, Audit and Performance Management	September 2010
17.	Improve the links between the commissioning or procurement cases for projects/contracts and the Council's strategic objectives and other needs assessment information available to the Council to show resources and priorities are being aligned to the areas of greatest need.	High	Agreed.	Head of Finance, Audit and Performance Management	April 2011
18.	Involve users in each aspect of the commissioning cycle for larger projects and retain evidence of the impact of this engagement. This should include systematic use of customer feedback/satisfaction surveys across all key services (particularly as part of needs assessment and reviewing performance)	Medium	Already in place for major projects and monitored through the Consultation database.	Head of Finance, Audit and Performance Management	Completed
KLOE 2.2: Does the organisation produce relevant and reliable data and information to support decision making and manage performance?					
19.	Review and update the suite of data security and IT user policies to reflect good practice standards and public sector policy guidance e.g. ISO27001 and Codes of Connection for Government Secure Intranet and Government Connect.	High	Internal Audit report to December 2009 Audit Committee.	Head of Information and Customer Services	Completed
20.	Reconsider the status of the number of visits to Rayleigh Windmill as a reported key performance indicator in light of the inherent difficulties in ensuring a control environment that will secure accuracy of the data collected.	Medium	Status of measure to be reviewed with Portfolio Holder(s).	Head of Community Services	March 2010

	Recommendations	Priority	Management response	Responsibility	Timing
KLOE 2.3: Does the organisation promote and demonstrate the principles and values of good governance?					
21.	Explore the reasons for low attendance levels at member training events through a workshop style session with Members that results in an agreed action plan to address issues raised.	High	The annual survey of Members on training already includes a question about why training isn't completed. The Council will use the Member Charter Implementation Group to have an exploratory discussion. There is already an action plan for Charter accreditation which covers Member training and development.	Head of Legal Services	December 2010
22.	Develop and implement a Committee competencies framework to assist members with the identification of skills gaps and training needs.	Medium	This will be reviewed as part of the work we are doing for the Charter on role descriptions related to different types of committee.	Head of Legal Services	December 2010
23.	Introduce formal Personal Development Plans (PDPs) for members that are informed by independent assessment processes (for example 360 degree feedback).	Medium	Individual PDPs for Members have been discussed by the Standards Committee who have always felt them to be unnecessary. We are currently working to achieve Charter status by December 2010 and this does not require individual PDPs. PDPs are a requirement for achieving Charter Plus status which the Council is not yet seeking to achieve, in part because of the resource implications.	Head of Legal Services	N/A
24.	Include a statement on the Council's website about the availability of the members' and senior officers' registers of interests, gifts and hospitality for public inspection, specifying how, where and when they can be inspected. Alternatively, best practice would be to publish the registers in part or full, on the Council's website (giving due regard to the requirements of the Data Protection Act).	Medium	The Standards Committee's Action Plan agreed at the beginning of October includes undertaking a review of information and presentation of standards on the Council's website.	Corporate Director (Internal Services)	March 2010

		Recommendations	Priority	Management response	Responsibility	Timing
KLOE 2.4: Does the organisation manage its risks and maintain a sound system of internal control?						
25.		Present the Corporate Risk Register to the Audit Committee for review at least twice a year.	High	The Risk Register will be reported to the Audit Committee in September and March each year.	Senior Performance Management Officer	March 2010
26.		Rigorously test the Council's full business continuity plan at least annually.	High	New Corporate BCM policy statement and strategy produced November 2009. See policy for detail. Testing will be on-going throughout 2010 and monitored as part of Corporate Risk Group (CRG) work plan.	Corporate Policy and Partnership Manager	March 2010
27.		Publicise the results of successful fraud prosecutions, both internally and externally.	High	The last Rochford District Matters contained a feature on recent prosecutions and this will continue. Draft Counter Fraud Strategy produced. Section included on publicity which states that all successful prosecutions will be reported to media. Strategy to be put forward for Portfolio Holder/Member approval by 31st January 2010.	Revenues & Benefits Manager	March 2010
28.		Create a schedule of business for the Audit Committee, which is reviewed at the start of each year and designed to ensure the completeness and timeliness of Audit Committee activity.	High	A programme of work including the Internal Audit programme and reporting schedule for 2010/11 will be put to the March 2010 Audit Committee.	Audit and Performance Manager	March 2010
29.		Undertake an annual assessment of Audit Committee effectiveness and demonstrate that action is being taken to address weaknesses identified in existing arrangements and that best practice is being pursued where practical to do so.	High	An Assessment of the Audit Committee was reported to the Audit Committee in September 2009. A further assessment will be presented in March 2011 and annually thereafter.	Audit and Performance Manager	March 2011
30.		Request assurances from key contractors and partners regarding the viability of their business continuity plans, in the context of relative risk to the Council's key services. For partners, this could be obtained as part of the rolling review programme of key partnerships.	Medium	Promotion of BCM for partners, local businesses and the voluntary sector included as an objective of the Corporate BCM policy statement and strategy. Details to be decided but this recommendation will be incorporated.	Corporate Policy and Partnership Manager	March 2011
31.		Where there are deficiencies in contractor or partner business continuity plans, update the Corporate Risk Register to reflect the associated risk to the Council.	Medium	Promotion of BCM for partners, local businesses and the voluntary sector included as an objective of the Corporate BCM policy statement and strategy. Details to be decided but this recommendation will be incorporated.	Corporate Policy and Partnership Manager	March 2011

	Recommendations	Priority	Management response	Responsibility	Timing
32.	Undertake a staff survey to evidence the level of fraud awareness within the Council.	Low	To be undertaken in 2010/11.	Audit and Performance Manager	December 2010
33.	Review the structure of the Corporate Risk Register and ensure that links can be clearly made between the risks identified and the strategic objectives that they impact upon the achievement of.	Low	Agreed.	Senior Performance Management Officer	March 2011
Managing resources					
KLOE 3.3: Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?					
34.	Update the Workforce Development Plan for the medium term, ensuring that it demonstrably aligns with the Corporate Plan. The updated Plan should set out current staffing levels, identify what staff are needed to deliver the Corporate Plan over the next 3 to 5 years and how these needs will be met.	High	This had already been identified and work is underway to develop a relevant plan which links with the corporate plan.	Human Resources Manager	Draft plan December 2009
35.	Improve the links between the Corporate and Divisional Planning process and workforce planning.	High	Discussions re options underway – clearer links to be in place for 2010/11 year.	Human Resources Manager	April 2011
36.	Benchmark workforce data and utilise this information to formulate the detailed workforce plan.	High	Current benchmark group comprises Essex partners, plus regional data which will be used to inform the workforce plan.	Human Resources Manager	December 2009
37.	Evaluate and document the impact of the Esprit programme and determine which elements parts of it are readily transferrable to other service departments, or can be harnessed for alternate internal use.	Medium	This had already been identified and formed part of the original scope of the programme – to be used as a pilot, reviewed and evaluated to identify opportunities to offer elements of the programme to other teams. Evaluation report is ready and presentation to Senior Management Team has been requested for December 2009.	Human Resources Manager	April 2010
38.	Undertake and document formal post implementation review of the restructure of the Environmental Services department to determine the impact of the change and whether the expected benefits have been realised.	Medium	Further restructure affecting parts of Environmental Services which will require more changes to the way they work – impact of all changes will be evaluated, including team building interventions.	Human Resources Manager	April 2010