AGENDA ITEM: 7   Page nos. 52 - 97

Meeting	Audit Committee
Date	16 December 2009
Subject	**Use of Resources 2008/9; Report from External Audit**
Report of	Interim Head of Compliance
Summary	To consider the detailed reports from the external auditor on matters arising from the audit of the 2008/09 accounts.

Officer Contributors	Patrick Clackett - Interim Head of Compliance
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A - Use of Resources 2008/09 - Findings and Conclusions by External Auditors
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Patrick Clackett, Interim Head of Compliance 020 8359 7249

Beacon Council

2002-2003
Improving Urban Green Spaces
Libraries as a Community Resource
2002-2004
Community Cohesion

1.   **RECOMMENDATIONS**

1.1   **That the findings and twelve recommendations by the External Auditor be noted.**

1.2   **That the committee considers the action that the Council is planning to take in response to the recommendations.**

1.3   **That a report on the implementation of the action plan be submitted to the next meeting of the Committee in March 2010.**

2.   **RELEVANT PREVIOUS DECISIONS**

2.1   None.

3.   **CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

3.1   Effective use of resources is essential if the Council is to achieve its Objectives and Plan.

4.   **RISK MANAGEMENT ISSUES**

4.1   Failing to use the council's resources effectively is a major risk to the achievement of its objectives and functions. The Use of Resources action plan includes measures to improve the effectiveness of risk management.

5.   **EQUALITIES AND DIVERSITY ISSUES**

5.1   Accurate financial reporting is important to ensure the management of resources to enable the equitable delivery of services to all members of the community and to reduce the differential impact of the services received by all of Barnet's diverse communities.

6.   **USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)**

6.1   The Use of Resources report and the management response action plan are fundamental to improving the council's use of resources. There are direct consequences for all the implications listed above.

7.   **LEGAL ISSUES**

7.1   None other than what may be contained in the body of the report.

8.   **CONSTITUTIONAL POWERS**

8.1   Within the Council's Constitution, the functions of the Audit Committee are detailed and include "To consider the external auditor's annual letter, relevant reports and the report to those charged with governance".

9. BACKGROUND INFORMATION

9.1 Introduction

The Council's use of resources and value for money assessment is carried out annually by the appointed external auditors (Grant Thornton). This first year of Use of Resources under CAA is a new expanded assessment which covers more elements than previously, and is more demanding in that it focuses on outcomes rather than processes.

The external auditors have awarded the Council a Use of Resources score of 3 out of 4 for 2008/9, which means the Council is judged to be managing its resources well and providing good value for money. This is a good achievement for the Council, particularly since it appears that at present only one London borough has achieved a 4. (in contrast to last year, when 8 councils in London achieved a 4 out of 4). Barnet is amongst 9 London councils with a 3 out of 4

The Council's score will be published on the Audit Commission's CAA website in December, alongside the score for Managing Performance which is also 3 out of 4, and combine to create an Organisational Assessment score of 3 out of 4.

The full Use of Resources report is appended to this report.

The Council's Audit Committee have a formal role in receiving the final Use of Resources report, and then monitoring the implementation of the agreed action plan through the rest of the financial year

9.2 Council's Response

Council has fed back to the external auditors on:
- Any changes required to the narrative or the action plan. Only one minor correction was requested.
- The management responses to each element of the action plan. These can be seen on pages 26 to 33 of the appended report.

Feedback has been coordinated through a corporate level steering group, chaired by the Assistant Chief Executive. This steering group will monitor progress with the action plan and prepare the council's evidence for the 2010 Use of Resources assessment.

The Use of Resources framework comprises three themes, each of which has three or four 'Key Lines of Enquiry'. In no area of the Use of Resources framework did Barnet achieve the maximum score of 4 out of 4, which suggests that there is room for improvement across the whole assessment area.

9.3   **Use of Resources 2008/9 Scores**

The Council's scores are presented in the table below, where Level 2 meets only minimum requirements – performs adequately, Level 3 exceeds minimum requirements – performs well, Level 4 significantly exceeds minimum requirements – performs excellently. Level 1 represents a failure to meet the minimum requirements.

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

* This indicates the KLOEs which have a dominant impact on the overall score

The highest priority improvement actions identified by Grant Thornton are:

- Embedding recent improvements in the control framework around treasury management and addressing the identified weaknesses in internal control generally;

- Reviewing the causes of slippage on the Capital programme and strengthening planning , procurement and management of the Capital programme;

- Improving the sign off process for the accounts;

- Articulating and quantifying the financial and non financial benefits from Future shape and core efficiency programmes;

- Developing an up to date procurement strategy;

- Demonstrating a clear understanding of carbon emissions and water consumption; and

- Implementation of the new Capital, Assets and Property strategy

These priorities have been reflected in the management responses to the action plan.

9.4   **Taking the action plan forward and next year's assessment**

Significant progress is already under way on many of the areas identified in the action plan. For example, the Council has commissioned several reviews of its treasury management strategy and operations, there is a clear improvement plan for internal control, a new approach is being developed for managing capital and other projects, Future Shape is being rolled out and integrated with financial planning, governance arrangements for the audit of accounts are being reviewed, there will shortly be a new strategy for procurement and commissioning under a new Commercial Director, a new asset management strategy is in development and the assets register will be linked to SAP.

External Audit have indicated that the timetable for next year's assessment will start earlier than this year's and begin in January, before the financial year has even completed. The assessment for 2009/10 will be based upon:

- identifying new outcomes for 2009/10 and evidence that outcomes from 2008/09 have been sustained;

- areas in which the Council feel that substantial improvements have been made to processes and procedures; and

- areas in which new audit risks have been identified

The steering group is working to bring together evidence for these areas and to implement the management responses in the action plan. Progress will be reported to subsequent meetings of the Audit Committee.

10.   LIST OF BACKGROUND PAPERS

10.1 None.

Legal: JW
Finance: MAM

Use of Resources 2008/09 - Findings and Conclusions

London Borough of Barnet

October 2009

Appendices

A　　　Action plan

B　　　CAA and the new Use of Resources Framework

C　　　Scoring criteria and rules

D　　　KLOEs specified for assessment in 2008/09 and 2009/10

Appendix

1 Key messages

1.1   Context

Under the Audit Commission's Code of Audit Practice, we are required to reach a conclusion on whether the London Borough of Barnet ('the Council') has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion'). This report presents the results of our value for money and use of resources work in 2008/09. We 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 (May 2008) the areas of audit work that provide us with the assurance that contributes to our annual VFM conclusion. This report sets out our findings from these pieces of work:

- our assessment of the Council's Use of Resources (UoR), using the three themes within the Audit Commission's new assessment framework themes and Key Lines of Enquiry ('KLoE');

- 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 a small sample of 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 reflect a real change in performance. Further detail about the new framework and the link to Comprehensive Area Assessment (CAA) are set out in appendix B.

1.2   Key messages

The Council's UoR scores in the 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 see appendix C.

Table 1: UoR scores

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

59

Appendix

We have assessed the Council as performing well in the areas of managing finances and managing resources. The managing finances assessment reflects particular strengths in the areas of integrated financial and service planning, and financial reporting, with arrangements for understanding costs being assessed as adequate. We have assessed the Council as performing well overall in the good governance theme, based on good performance in the areas of "use of data", and "good governance". Commissioning and procurement and internal control have been assessed as adequate. The Council has adequate arrangements for managing natural resources and assets.

To support our conclusions in the good governance theme, we undertook spot-checks of four performance indicators, and found no significant data quality issues with these. We also considered the results of our mandatory work on housing benefits, which did not give rise to any significant data quality concerns.

1.3 High-priority actions
Key recommended actions for the Council arising from our assessment include the following;

- The Council should look to embed recent improvements in the control framework around treasury management, through relevant training sessions for those elected members with responsibility for governance of the treasury management function.

- The Council should review the causes of slippage on the Capital expenditure programme for 2008/09 and consider the need to strengthen the planning, procurement and management arrangements for the Capital programme.

- The governance arrangements for the audit and accounts sign off process need to be tightened to allow more time for review, and greater prioritisation within the agenda, in order to optimise the level of scrutiny by elected members at both the Audit Committee and the Pension Committee.

- Ensure that the Council is able to clearly articulate and quantify the financial and non-financial benefits arising from all areas of the Future Shape and core efficiency programmes. Show that service review and analysis activity as part of this is leading to the targeted levels of improvement.

- The Council should clarify the impact of the developing Future Shape programme on commissioning and procurement arrangements, including development of an up-to-date procurement strategy, a clear approach to sustainable procurement and a clear articulation of expected outcomes from these.

- Show that the identified weaknesses in internal control have been successfully addressed, leading to a more rigorous processes of challenge and review leading to clear action. Key challenges include improving the coverage and strategy of internal audit, and improving the organisation's performance in responding to arising action plans. Members should also demonstrate more impact on risk management arrangements.

- Show that the Council has a clear understanding of carbon emissions and water consumption, and is proactively delivering reductions in both areas

60

Appendix

- Show that the new Capital, Assets and Property strategy is being effectively implemented and is leading to improved outcomes in these areas. Show that efforts to develop an integrated asset register have been successful. Clarify the impact of the developing future shape programme on asset management arrangements corporately and with partners.

In other areas the Council will retain and improve on current assessment scores by demonstrating sustained and new outcomes in 2009/10 - see section 2.5 for more detail. Further details of work to support our 2008/09 Use of Resources assessment are given in section two.

1.4   Next steps

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

The recommendations arising from our review are set out in appendix A. We have issued recommendations only in areas currently assessed at level 2. We would like to take the opportunity to remind the Audit Committee of the need to monitor implementation of recommendations.

1.5   Use of this report

This report has been prepared solely for use by the Council to discharge our responsibilities under the Audit Commission Code of Audit Practice and 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.

1.6   Acknowledgements

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

Appendix

2 Detailed findings

2.1   Introduction

In carrying out our audit work, we comply with the statutory requirements governing our duties, set out in the Audit Commission Act 1998, in accordance with the Code of Audit Practice (the Code). The Code requires us to issue a conclusion on whether the London Borough of Barnet ('the Council') has proper arrangements in place for securing economy, efficiency and effectiveness in the use of its resources ('VFM conclusion'). The UoR assessment forms the backbone of this process. The UoR Key Lines of Enquiry (KLoEs) are prescribed by the Audit Commission and applied at all Councils, Police Forces, Fire Authorities and NHS PCTs. Approach to the audit

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

2.2   2008/09 UoR assessment

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

Table 2: UoR theme and KLoE scores

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

*Some KLOEs have an overriding impact on theme scores - see Appendix C for more details of scoring criteria and arrangements.

**Different KLOEs are specified for assessment each year and across types of organisation. See appendix D for details.

2.3   2008/09 VfM conclusion

Under the Code of Audit Practice (the Code), auditors have a responsibility to conclude whether the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness

in its use of resources. This conclusion is the value for money (VFM) conclusion. Section 3 of the Code sets out the scope of these arrangements and the way in which auditors will undertake their work.

Auditors inform and limit their VFM conclusion by reference to relevant criteria. These criteria cover particular areas of audited bodies' arrangements, specified by the Commission under the Code. From 2008/09, the KLOE for the scored use of resources assessment also form the criteria for the VFM conclusion. The Commission will specify each year which of the use of resources KLOE will form the relevant criteria for the VFM conclusion at each type of audited body.

Auditors address a 'yes' or 'no' question for each criterion – that is the audited body either has proper arrangements or it does not. A 'no' judgement will be equivalent to level 1 performance for the use of resources assessment, and a 'yes' judgement will be equivalent to level 2 performance or above. Criteria with a 'no' judgement will automatically apply in the following year regardless of whether or not they are specified.

For bodies subject to a scored use of resources assessment for CAA, the KLOE forming the relevant criteria for the 2008/09 and 2009/10 VFM conclusion are those specified at Appendix D.

On the basis of the KLOE scores assessed in 2008/09 for the London Borough of Barnet, we issued an unqualified use of resources opinion.

2.4 Recommendations

The key findings in each of the KLOEs, and areas for improvement, are set out in the sections 4-6. Our recommendations focus on KLOEs that were assessed at levels 1 or 2, or weaker areas where an overall score of 3 was assessed based on our rounded judgement. In other areas, the Council will be able to achieve an improved assessment score through a combination of the following;

- demonstrating strong outcomes for the community and VfM improvements across the scope of the KLOE;

- showing innovation or recognised best practice;

- demonstrating effective partnership working leading to improved outcomes; and

- showing strong performance and value for money compared with others.

Appendix

3 Identifying outcomes, outputs and achievements

3.1   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 largely by demonstrating excellent processes. The table below gives generalised examples of the types of outcome that have led to higher scores.

Table 4: Illustrative examples of outcomes, outputs and achievements by KLOE

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

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

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

Appendix

- 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 1-to-1 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

- Councils should discuss any issues of interpretation with their auditors before investing time and effort in self-evaluation, if this is the preferred approach.

3.2   Engagement in the assessment process

Barnet engaged effectively with the assessment process in 2008/09. Our early discussions with senior officers helped the Council to prepare a high-quality and focused self-assessment, and a comprehensive pack of supporting evidence. We undertook a series of awareness-raising workshops with groups of officers from across the Council. Our subsequent workshops on KLOEs 1.2, 2.1, 2.2, 3.1 and 3.2 were well attended and useful.

For the 2009/10 assessment, we anticipate a less time-intensive process. The assessment is likely to focus on the following areas in particular;

- identifying new outcomes for 2009/10 and evidence that outcomes from 2008/09 have been sustained;

- areas in which the Council feel that substantial improvements have been made to processes and procedures; and

- areas in which new audit risks have been identified.

3.3   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 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

65

Appendix

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

Grant Thornton has;

- provided internal training and guidance;

- developed a network of regional leads to oversee the audit process nationally;

- undertaken a number of internal consistency and challenge sessions, comparing our clients with each other and with their regional neighbours; and

- undertaken detailed review and quality control of scores and conclusions.

Appendix

4 Managing Finances

Theme summary

We have assessed theme 1 at level 3. The Council's strong performance in the areas of financial planning and financial management counterbalances some still developing outcomes from the Council's work on understanding and managing costs. The Council has strong integrated financial and service planning, and responded effectively when the Icelandic banking crisis was recognised. The recent work undertaken on current Treasury Management arrangements was satisfactory. From a stable financial platform, strong outcomes are being delivered in key service areas, including educational attendance and attainment The Council has good corporate arrangements for setting and controlling cost levels, and a number of initiatives aimed at improving understanding and management of costs. The real benefit of these has yet to be fully felt in most cases. The Council has a strong track record of delivering efficiencies. Financial reporting is good, with a high level of integration between presentation of financial, performance, risk and HR information. Reports to the public are of a high quality and include information on the Council's environmental impact. The 2008/09 audit of accounts proceeded smoothly, in line with previous years, although there is scope to improve governance arrangements for accounts closure and sign-off.

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

1.1.1 - Integrated service and financial planning

The Council shows a good track record of financial planning, which is aligned to strategic plans and links successfully with service plans. The Medium Term Financial Strategy delivers the commitment to sub-inflation council tax increases, whilst achieving corporate plan objectives within balanced budgets.

1.1.2 - Engaging stakeholders in financial planning

The Council has a demonstrable track record of engaging with the local community and hard to reach groups. Equalities issues are assessed as standard in each report to Council committees. Examples of stakeholder engagement influencing actual financial decisions were provided (e.g. £300,000 efficiency from re-profiling of services in Children's Centres).

1.1.3 - Managing spending within resources

The Council has consistently managed spending within budgeted levels and the MTFS shows a sound financial base over the next 3 years. Delivery of the 2008/09 revenue budget was effectively managed and, despite some slippage on the capital budget, overall management of the annual spending has been satisfactory, with mitigating action taken where necessary by the Corporate Resources Committee.

Appendix

1.1.4 - Financial skills and accountability

Lines of financial accountability are in place and there is a good track record of developing the financial skills of staff. This is re-enforced by job descriptions and the appraisal process, including non-finance staff. Directorate Heads of Finance are in place. Regular Training on financial issues is provided for Members and non-financial staff. Finance teams meet once a month to participate in "learning lunches" and these meetings are used to raise awareness of emerging financial issues.

Key outcomes delivered by the Council across all areas of this KLOE are;

- Planning to mitigate the effects of the recession has been effective. A set of recession indicators is being monitored quarterly in 2009/10 to assess impact. Savings of £10-£15m p.a. have been planned in the MTFS. The Council has built up reserves in the general fund over the past 3 years - £7m in 2008 and £1.4m in 2009 - bringing the available funds to £17.4m, in excess of the £15m minimum agreed by the cabinet. In addition to this, £15.6m of new earmarked reserves in 2008/09 have contributed to a total of £31.7m in place to deal with specific identified cost pressures.

- The Council has delivered £7.8m of planned efficiency savings in 2008/09, through the budget setting and monitoring process. Further budget reductions totalling £2.4m were made from Adult Social Services, Central Expenses and Environment & Transport. The total saving for the year was therefore £10.2m (3.5 % of net cost and ahead of the national target).

- The VFM profile compares well with neighbouring boroughs - with average to low costs and above average performance across the services. E.g, education spending (40% of budget) is average but key stage 3 achievement is upper quartile. Adult Social Services (10% of the budget), has increased by 25% over a five year period with corresponding performance improvements - in 2008/09, 75% of stretch performance targets were met in full.

- The 2009 Place Survey results show that the Council is in the upper quartile of user satisfaction for Cultural and Environmental services (accounting for 10% of the revenue budget), including street cleaning, waste and recycling. Other key services such as transport and leisure are at least comparable to other London boroughs. Overall resident satisfaction levels are upper quartile and there is a low reported perception of problems such as anti-social behaviour.

- The Council has responded strongly since the collapse of leading Icelandic Banks in 2007/08 and 95% of deposits are expected to be reclaimed. Recent audit work on treasury management indicated that a number of issues around internal control were in the process of being addressed, but key system risks have now been effectively mitigated. We do not consider that general issues around internal control (see KLoE 2.4) have impacted materially on financial management.

Recommendation 1 - Treasury Management Training for Members
The Council should look to embed recent improvements in the control framework around treasury management, through relevant training sessions for those elected members with responsibility for governance of the treasury management function.

Appendix

Recommendation 2 - Capital Programme
The Council should review the causes of slippage on the Capital expenditure programme for 2008/09 and consider the need to strengthen the planning, procurement and management arrangements for the Capital programme.

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

The Council meets the basic requirements for understanding costs and using cost information in decision making, but is performing well in delivering efficiencies. In order to achieve level 3 overall, the Council will need to (a) show a systematic analysis of cost drivers across all relevant parts of the Council (b) show a broader understanding of the total resources available to significant partnerships, and this is likely to emerge through work on the "future shape" programme; (c) demonstrate that the cost / benefit analysis processes feeding into decision-making is rigorously and consistently applied, alongside an effective assessment of social and environmental impacts. At present the Council has only been able to demonstrate this for a selection of the most significant / high-risk initiatives.

1.2.1 - Understanding costs

The Council has a range of mechanisms for reviewing costs and exploring the links between costs and activity and performance. There are some corporate processes for reviewing costs across the range of services provided by the Council, such as cost centre profiles, which put budget information in the context of level and quality of service. There is a clear link between an understanding of costs and decision-making within social care and education, where national unit cost data are readily available, although the Council has not sought to systematically develop unit cost data in other areas. There is a consistent approach to investment appraisal and cost / benefit analysis for the capital programme, although this is less well defined for revenue expenditure. Whole life costing has been used to support specific projects, although it is not in mainstream use corporately. There are a number of examples of the Council working to improve its understanding of cost drivers and associated factors in specific areas such as residential care, accommodation, modernisation - with some VfM improvements in these areas. The Council has a clear view on levels of partnership resource commitment in key areas (e.g. the Children's Trust), but there is no overview of the total resource available to key partners.

1.2.2 - Supporting decision-making

Cost and performance information are systematically reviewed and challenged alongside each other through the Council's integrated finance and performance review process. Cost variances and budget pressures are monitored and feed into the financial planning process. Most spending decisions are accompanied by a business case, although the sections relating to option analysis, costs, benefits and impacts are completed with varying degrees of rigour. More detailed work is undertaken for larger or high-risk projects; for example an especially robust process of cost / benefit analysis has been developed to support the Primary School Capital Investment Programme, leading

Appendix

to better informed commitment of resources in this area. A good understanding of operational costs in social care and housing is supporting VfM improvements in these areas.

1.2.3 - Achieving efficiency

The Council has a good track record of delivering efficiencies, with £89million total budget reductions from 2003/04 to 2009/10. In 2008/09 alone, Adult social care delivered £3million savings and Children's social care delivered £2million, both arising largely from service transformation and contracting efficiencies. The Council has ambitious plans for developing its efficiency programme further, set out in the "future shape" programme. The risk of non-achievement of targets is evaluated within the Council's MTFS, linked to scenario planning and analysis of likely demand. The Council is reporting NI179 efficiency gains of just under £7.3million in 2008/09, reflecting approximately 95% achievement of target. There was a further £2.39million budget reduction in the same year. Benchmarking shows that spend on services per head and local taxation are relatively low.

Recommendation 3 - demonstrating outcomes from efficiency and VfM programmes
Ensure that the Council is able to clearly articulate and quantify the financial and non-financial benefits arising from all areas of the Future Shape and core efficiency programmes. Show that service review and analysis activity as part of this is leading to the targeted levels of improvement.

Recommendation 4 - improving understanding of total resources available across key partnerships
Show that, through the future shape programme, the Council is working with other organisations to improve understanding of the total resources available to significant partnerships.

Recommendation 5 - Whole-life costing
Whole-life costing techniques are in use in some areas, but the Council should develop and apply clear criteria and procedures for more mainstream use, both for significant policy decisions and within the corporate project management framework

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

1.3.1 - Financial monitoring

The Council produces relevant, timely and reliable financial monitoring and forecasting information to a good standard. Internal Audit review and test financial systems to ensure information processes are adequate, as part of their cyclical programme.

1.3.2 - Good information

The Council has an effective system for producing and reporting financial and performance information. Information can be accessed real time by designated users via the intranet. Reports can be customised providing budget holders with flexibility. Comprehensive monitoring information is

Appendix

presented monthly to Cabinet Resources Committee (CRC). Reports to CRC are clearly written with avoidance of jargon to promote public accessibility. Annual performance reports to CRC incorporate financial and PI performance information to inform future planning decisions.

1.3.3 - Accounts that present fairly

The 2007/08 draft accounts submitted for audit required adjustments and included some unadjusted amounts in relation to the STRGL, although these were not material to the opinion. The working papers submitted for audit in 2008/09 were of a good standard, were available electronically and were linked to the accounts. The Council's 2008/09 accounts were prepared in accordance with the SORP and in accordance with their own and statutory timetable. the timetable for the UoR assessment process required us to base our judgements on past experience (i.e. 2007/08) as well as the process up to the midpoint of the 2008/09 audit fieldwork. Although the remainder of the 2008/09 audit process was generally good, in line with previous years, we noted that the governance arrangements for the completion and sign off of the 2008/09 accounts audit demonstrated some points for development, specifically in regard to role of the Audit Committee and the Pensions Committee. We found that the Audit Committee date was subject to a late amendment which put it back to the 29th September, one day before the statutory deadline. Furthermore, the agenda for the meeting did not give priority to the audit reporting and accounts sign off. In addition, the agenda of the Pension Committee did not reflect the need for the results of the pensions audit to be included as a standing item, and therefore the pension audit report was circulated and approved by members outside of the formal meeting.

A level 3 assessment is appropriate overall given generally good arrangements in this area, but we consider that the governance arrangements for the audit and accounts sign off process need to be tightened to allow more time for review, and greater prioritisation within the agenda, in order to optimise the level of scrutiny by elected members at both the Audit Committee and the Pension Committee. The Council will need to demonstrate that it has addressed these issues in order to support a level 3 assessment in 2009/10.

1.3.4 - Information to the public

The Council has a good track record of publishing comprehensive information on its website and through other media. The 2007/08 Annual report was also published on line and includes some of the examples of community feedback and what was done by the Council in response. The Council has recognised the public's difficulty in understanding its annual accounts and publishes them in summary form, including easy to follow graphical representations. Environmental, Diversity and social impacts are addressed under the risks section of all reports put to committee.

Key outcomes delivered by the Council across all areas of this KLOE include the following;

- The Council delivered a General Fund surplus of £1.6m in 2008/09 and £7m in 2007/08. The 2008/09 surplus includes £7.8m of planned efficiency savings in delivered through the budget setting and monitoring process. High quality management information has contributed to this, by providing opportunity for member action to remedy shortfalls in the plan. Further budget reductions totalling £2.4m were made from Adult Social Services, Central Expenses and Environment & Transport. Total saving for the year was £10.2m (3.5 % of net cost ahead of the national target). In addition to this, £15.6m of new earmarked reserves in 2008/09 have contributed to a total of £31.7m in place to deal with specific identified cost pressures.

Appendix

- The Council demonstrates good evidence of Member intervention as a result of information provided to governing committees. A good example is the internal investigation that resulted from the Iceland Banks issue, where members took immediate action to mitigate the associated risks.

- The Council has a good track record of delivering high quality accounts and, in 2007/08, there were no significant material errors reported. The 2008/09 accounts process was well managed overall, with accounts again submitted by the deadline and a comprehensive set of working papers provided on the first day of the audit. The accounts were presented to the Audit Committee prior to approval, with a good level of supporting information, including a list of answers to common queries, reflecting best practice. There is some scope for improvement in governance arrangements and accounts sign-off processes, as detailed above.

- The Council publishes high quality information for residents on its website. An annual financial and performance report has been produced for a number of years, which summarises the Council's service and financial performance in a clear and user friendly format. This was a result of a review process in prior years which addressed of how information could be better presented to the layman. The website is clearly arranged to user needs and provides immediate access to Council meeting papers.

Recommendation 6 - Governance Arrangements for the Audit of Accounts
The governance arrangements for the audit and accounts sign off process need to be tightened to allow more time for review, and greater prioritisation within the agenda, in order to optimise the level of scrutiny by elected members at both the Audit Committee and the Pension Committee.

72

5 Governing the business

Theme summary

The Council has achieved a 3 for this theme, but by a relatively narrow margin. Use of data, and arrangements for data quality are a key strength. Over recent years, the Council has become increasingly data-driven and intelligence-led, and effectively links performance measurement to corporate priorities. There is a track record for finding and fixing data quality issues, which is now being extended to partnership data. Governance arrangements are also strong, as the Council has demonstrated a flexible and responsive constitution, a healthy political interface and good leadership at officer and member level. There are examples of members proving effective leadership and upholding standards of ethical behaviour. The Council also has a good grip on partnership governance. Commissioning and procurement has currently been assessed at level 2, reflecting scope to develop improved strategic frameworks in both areas. The Council's future shape programme is expected to have a significant impact here. The Council has also had a number of control issues in recent months which, although not of a fundamental nature, have held its performance to a 2 in the area of internal control. The Council has begun to respond to these issues and progress will be reviewed in the 2009/10 assessment.

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?

Barnet meets basic requirements in all areas of this KLOE and exceeds them in respect of (i) involving stakeholders and (ii) modernisation through use of IT. In order to meet level 3, the Council will need to (a) provide a clearer view on the impact of existing joint commissioning and 3rd sector commissioning approaches (b) show that there is an identifiable corporate approach to commissioning, or at least a clear understanding of all significant areas of commissioning activity and the link to corporate / shared priorities (c) show that the corporate procurement team is helping services to deliver VfM improvements, working to an up-to-date procurement strategy and (d) demonstrate clear outcomes from service reviews in previous years. Some of these may emerge from the developing future shape programme.

Clear vision

Barnet has a clear approach to commissioning within some services, which follow local approaches based on a range of commissioning strategies, rooted in the community strategy. There is no distinct corporate approach to commissioning, although the future shape programme will address this. A range of needs assessments have been undertaken i.e. joint strategic needs assessment (focusing on health), crime and disorder strategic assessment, children and young people's needs assessment, and housing needs assessment.

The Joint health commissioning framework, shared between the Council and the PCT, provides an umbrella to a range of specific health commissioning strategies. These are underpinned by the Borough Health Profile and the Joint Strategic Needs Assessment, completed in late 2008. The Children's & Young People's Plan fleshes out the aims set out in the sustainable community strategy, and sets out joint commissioning intentions. A third sector commissioning framework is in place,

73

Appendix

which aims to provide clear interface between the Council and VCS, aligning commissioned activity to corporate objectives. The Council has given a number of further examples of how suppliers and stakeholders are involved in the commissioning process.

Service redesign and modernisation

The Council developed a customer access strategy in 2007 and has begun implementation of this. Key outputs to date include corporate implementation of a CRM system and the opening of a new customer access centre at Burnt Oak. Housing are about to embark upon a LEAN systems review. Adult Social Services and Children & Young People have undergone extensive transformation in 2008/09, focusing on rationalisation of front-office, leading to approx £5million savings in the 2009/10 budget.

Understanding the supply market

The procurement strategy dates from 2006/07, with an update under development. This has been delayed, whilst the impact of the future shape programme is assessed. The corporate procurement team is at full capacity for the first time in a number of years, and there is a sense that the team is well positioned to make progress in this area. The procurement team is just starting to work on detailed spending category analysis, and will feed back to managers with guidance and advice on improvements. There is a 3rd sector commissioning framework helping to align activity to corporate and shared priorities. Barnet Voluntary Services Council has helped to build capacity and support the voluntary sector in accessing opportunities.

Option appraisal

The procurement code of practice sets out a Gateway review process. The capital appraisal process mandates an option appraisal, but this is completed with varying degrees of rigour. There are a range of collaborative procurement approaches, including stationery, nuisance vehicles and a master vendor agreement with Hayes for temporary and agency staff. Children's services undertook joint procurement with Enfield, Haringey and Waltham Forest for a client caseload management system. Construction projects are subject to an approved list of vendors. The Council has undertaken some awareness-raising around sustainable procurement, but does not have a finalised sustainable procurement strategy.

Recommendation 7 - Commissioning and procurement
The Council should clarify the impact of the developing Future Shape programme on commissioning and procurement arrangements, including development of an up-to-date procurement strategy, a clear approach to sustainable procurement and outcomes from these.

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

The Council has effective arrangements for data quality, and uses information in a focused way to measure its progress. Strengths in this area are partially offset by apparent weaknesses in arrangements for ensuring data security and compliance with data protection act and freedom of information acts. Our judgement is that level 3 is appropriate, but the Council will need to ensure that its current efforts to develop an integrated corporate approach to data security are effective.

2.2.1 - Relevant and reliable data

Appendix

The Council's data quality policy and strategy was refreshed and re-launched in early 2009 at a staff workshop, which we attended. Reviews of performance data by the corporate performance team and internal audit did not identify any significant data quality weaknesses in 2008/09. There is a well-established process for collecting, recording, analysing and reporting corporate performance data through the corporate performance framework, which relies on shared and interlinked excel spreadsheets. There have been incremental improvements to the design, presentation and efficiency of this process over recent years. Each corporate performance indicator has a nominated owner. All corporate performance indicators which rely on data from a 3rd party are clearly identified, and there is a relationship manager in place for each indicator - for example a joint health analyst acts as the link point for data shared with the PCT. Data sharing protocols are in place for key partnerships e.g. the LSP and CYP board, and data quality is emphasised in the Council's partnership toolkit. Examples show that this approach to assuring quality of partnership data has worked in practice with, for example, weaknesses in health performance data being identified by the Council and addressed by the PCT. The Council has taken steps to address historical weaknesses in the quality of data shared with its housing ALMO.

2.2.2 - Data to support decision-making

The quality and presentation of performance reports has improved over recent years, with reports on an exception basis and supporting analysis and commentary provided. The format for 2009/10 reports was consulted on at the workshop in February 2009, and internal performance staff and partners were given an opportunity to comment on the presentation and design of these. The Council has a business intelligence team, which sits within the "strategic hub". There are numerous examples of work undertaken within this team, and in conjunction with the GIS team, of detailed analysis feeding into strategy development, commissioning, service delivery, and business planning, leading to better informed decisions. Examples include helping to assess best locations for primary school based on population projections, and spatial analysis of complaints and customer data to support service improvement.

2.2.3 - Data security and compliance

Overall arrangements for data security are adequate, although a recent internal audit investigation found weaknesses in arrangements to ensure compliance with the Data Protection Act. The Council addressed these in the first quarter of 2009, and work continues with the aim of developing an integrated corporate approach to data security and compliance. Developing practice in this area is counterbalanced by strengths across other areas of this KLOE.

Recommendation 8 - Data protection act
Show that the Council has implemented effective arrangements for ensuring compliance with the requirements of the Data Protection Act.

2.2.4 - Monitoring performance against priorities

The Council operates a range of cyclical review mechanisms, focusing on cost and performance data. All monitoring takes place in the context of corporate objectives, and linkages are set out clearly in reports. First Stat meetings draw a range of stakeholders together to focus on performance against specific priorities. The alignment of performance indicators to objectives, specification of

Appendix

targets and resource limits are clearly set out in the corporate plan and supporting service plans. The LSP uses the same First Stat approach as the Council.

Data quality spot-check and housing benefits data quality results

To support out judgements for KLOE 2.2, we undertook detailed spot-checks of a number of the Council's key performance indicators. Where we identified significant concerns around the quality of the underlying data which would be likely to lead to a material misstatement, we have reported findings to the Audit Commission. Our summary findings are set out in the table below;

Table 5 - data quality spot-check results

Performance Indicator	Significant concerns?
NI 62 - Stability of placements for looked-after children: number of moves. **NI 66** - Looked after children cases which were reviewed within required timescales. **NI 67** - Child Protection Cases which were reviewed within the required timescales.	NO
Summary of findings	
Overall, the data reported does comply with the Audit Commission's data quality criteria of accuracy, validity, reliability, timeliness, relevance and completeness. The quality of the data is a function of both the ability of the ICS system to ensure data is captured correctly but also of the checks and balances undertaken by staff to ensure that the data is robust and reported on an accurate and timely basis. The efficiency of the gathering and reporting of data for this indicator could be enhanced by reducing reliance on these double-checking measures. This may happen as the system is developed further and users of the system (particularly Social Workers) gain more confidence in it.	

Performance Indicator	Significant concerns?
NI 185 - Carbon emissions from Council operations.	NO
Summary of findings	
Our overall judgement is that the Council has done an adequate job of calculating this indicator with the resources and data at their disposal. In order to reduce the likelihood of error, there should be; - less reliance on manual entrance/calculation - a more robust approach to identifying relevant external contractors and securing data from them - a more robust approach to securing data from schools	

In reaching conclusions for KLOE 2.2, we also considered the results of the data quality aspects of our work on housing benefits. From our work carried out on HB COUNT, we have not identified any issues that would have a material impact on scores for KLOE 2.2.

76

Appendix

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

The Council has effective arrangements across all areas of this KLOE.

2.3.1 - Good governance

The Council's constitution is reviewed annually by a dedicated committee. There is evidence to show that this review process leads to more balanced and transparent governance, demonstrated by flexibility around speaking rights for trade unions, and a rebalancing of the roles of the general functions committee and the joint chairs committee. There is good visibility of member and officer leadership, with regular internal communication and innovative use of social media. The Chief Executive has undertaken a series of "ward walks", accompanied by operational officers. Members have taken an effective community leadership role in response to high-profile issues, for example to minimise fallout within local communities from the Israel / Gaza conflict.

There are also several examples of members taking a proactive role in upholding standards of good governance, including;

- addressing fallout from the Icelandic banking crisis; and

- completing a review of the role and function of overview and scrutiny.

Effective arrangements are in place for training and development of senior officers and members. Members have a dedicated training calendar, and are encouraged to evaluate the courses they attend. New members undergo an induction process, and are provided with a comprehensive information pack. The new Chief Executive is working to further improve the effectiveness of leadership at officer level.

2.3.2 - Focus on purpose and vision

A clear vision is set out in sustainable community strategy and corporate plan. The council has a long-term track record of transformation and change, which are indicative of a focus on purpose and vision e.g. Modernising Core Systems, Modernising Ways of Working, Future Shape. There is a trend of improved performance outcomes in key areas over recent years, evidenced by good levels of attainment for most services in the final CPA assessment, and a positive "direction of travel" assessment.

2.3.3 - Ethical behaviour

The Council has an active Standards Committee, which reviews its work plan annually. This has recently been refreshed with 5 new members, for whom training has been provided. The Committee provides an annual report to full Council, which summarises any breaches of the codes of conduct. The Monitoring officer undertakes 2-yearly reviews of ethical governance, with some improvements evident between 2006 and 2008. A statutory code of conduct for members has been adopted and is reflected in the constitution, and a code of conduct for officers is incorporated into the terms and conditions of employment. Members' allowances are set by an independent Remuneration Committee, and the results are published.

2.3.4 - Governance for partnerships

Appendix

Partnership governance is included in the Council constitution of 2008. The LSP adopted a new governance framework in 2008, as did three partnership boards. Through a detailed partnership mapping exercise, the Council has confirmed that all of its partnerships were either covered by contractual arrangements, or were part of the LSP family of partnerships and therefore subject to the governance arrangements approved by Cabinet in 2008. The exercise also highlighted a small number of areas where partnerships were in the form of significant contracts, which needed strengthened arrangements, particularly in the field of Leisure, and action is now being taken. There are good links with the voluntary and community sector through Barnet Voluntary Services Council. The Council has seen some key successes through its work with partnerships; e.g. good links with further and higher education, generally good local satisfaction, and high educational attainment.

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

The Council meets most basic requirements for risk management and internal control, although improvement is needed in some areas. The work of the corporate anti-fraud team is leading to positive outcomes. In order to meet level 3, the Council will need to; (a) demonstrate member ownership of and involvement with risk management, and that the audit committee provides an appropriate level of challenge (b) show that partnerships have put in place effective risk management arrangements leading to improved outcomes. (c) show that the Council's positive action in response to weaknesses in internal control has been successful, and that Internal Audit's strategy and coverage has been improved.

2.4.1 - Risk management

Solid risk management processes and procedures are in place, but the role of members and specifically the impact of the Audit Committee in relation to risk management is not clear. The risk management strategy was developed in 2007, and this is reviewed and updated annually. Service risk registers are held locally and are linked to service plans. These are reviewed at least quarterly by departmental management, and through the finance and performance review process. The Corporate risk register is held by corporate risk management team, and is aggregated from service risk assessments. It is reviewed by corporate directors group and refreshed on a quarterly basis. All risks are set in the context of corporate priorities, assigned a corporate owner, and assessed in the context of likelihood and impact. The Council has provided two examples of significant risks identified, the mitigating actions taken, and improved outcomes achieved as a result. All committee reports include a section on risk.

Risk management training was undertaken council-wide in 2007, with some top-up training since. A new web-based system for risk management is in the process of being implemented, and there will be a further round of training linked to this. There is a risk management forum for practitioners across the Council. The corporate approach to risk management gives assurance over change risks, linked to major corporate initiatives. There are well-established approaches to project and programme management, led centrally by the project support team and capital and assets group. Risk identification and management is embedded as a part of this. There is an established "managing change" approach that covers the HR aspects of transformation, and a corporate organisational development and change team. A programme board is set up for the future shape programme, and risk assessments have been undertaken of this. LSP and partnership management boards have developed their own risk registers, and these are reviewed annually, although the Council has not shown the impact that this is having in practice.

2.4.2 - Anti-fraud and corruption

Appendix

The Council's corporate anti-fraud team (CAFT) can demonstrate good outcomes in 2008/09, including recovery and repayment of significant amounts of money erroneously paid out in benefits or obtained by fraud. There were 28 successful prosecutions in relation to benefit fraud, and five members of staff were dismissed following internal fraud investigations. The service has been involved in high-profile work to prosecute residents who misuse "blue badges" for parking leading to six arrests and the seizure of over 50 blue badges. The service also puts effort into proactive work, internal communication, and publication of successes in the local and national press.

2.4.3 - System of internal control

Our overall view is that the Council's arrangements for internal control are adequate. However, weaknesses have been identified leading to the Council commissioning a third-party review of internal control reported in July 2009. This raised concerns in some areas, especially in relation to the corporate control culture and role and function of internal audit. Additionally, there has been a significant specific weakness in the application of the Treasury Management Strategy and supporting procedures. The Council has begun to respond proactively to these issues, although they were not fully resolved within the assessment period. Key challenges also include improving the coverage and strategy of internal audit, and improving the organisation's performance in responding to arising action plans.

Recommendation 9 - Addressing weaknesses in internal control
Show that the identified weaknesses in internal control have been successfully addressed, leading to more rigorous culture of challenge and review, leading to clear corrective action. Key challenges include;   • improving the coverage and strategy of internal audit;   • improving the organisation's performance in responding to and following up on action plans arising from internal audit activity; and   • demonstrating improved member and audit committee involvement and impact in the strategic management of risks.

Appendix

6   Other resources

Theme summary

The Council has adequate arrangements in place for environmental and asset management, but significant outcomes are still developing in both cases. The Council has established a baseline position for carbon emissions, and should now be able to demonstrate the impact of its energy saving and related initiatives. The Council has also had some clearly visible successes in improving its office accommodation, and the new capital, assets and property strategy sets out a roadmap for improving asset management in a broader sense. This, alongside the future shape programme, leaves Barnet well placed to demonstrate positive outcomes and increase its score in next year's assessment.

KLOE 3.1 - Is the organisation making effective use of natural resources?
Measurement and quantification

Systems for understanding and measuring consumption of natural resources are adequate overall, but are at different stages of development. There is a generally good understanding of carbon emissions arising from corporate operations and the figure for NI185 is expressed with a reasonable margin for error. Good energy consumption information is available for the largest office buildings, and the quality of data from smaller sites is improving.

The Council is working with the Energy Saving Trust to develop a carbon emissions reduction plan, and is developing a clear baseline against which to target reductions. Energy audits of the Council's four main offices have been undertaken to support this. The Council does not have a clear overview of consumption of water across its sites, although there has been some work with individual schools focusing on this area.

Office recycling schemes have been in place for some time, but the Council has not found it easy to obtain accurate information about the impact of these. There has been some success in reducing consumption of printer paper and toner. Regarding biodiversity and green spaces, the Council has a Green Spaces Operational Plan, which sets out its approach to managing and promoting biodiversity, and collaborates with the London Wildlife Trust in this area. The Council has eight green-flagged parks, each with its own management plan which addresses biodiversity. The Council works actively with "friends of" groups for parks.

Sustainable procurement

The Council recognises the importance of developing a formal approach to sustainable procurement, but has not achieved this yet. In practice, there are some examples of sustainability principles being followed; for example the new recycling contract which was specified to require the contractor to monitor their own environmental performance and report monthly. However, six months into the new contract, it is not clear that any monitoring information has yet been provided.

Accommodation

80

The Council has a long-term approach to consolidating office accommodation and encouraging flexible working, making these improvements with funding delivered by disposal of unwanted assets. Qualitatively, it is clear that this should have a positive impact on resulting emissions, but it is not clear that this has formed part of the cost / benefit analysis undertaken to support the accommodation strategy. The Council's new Capital, Asset and Property Strategy (CAPS) sets out a programme of work to improve the energy efficiency of the main offices, supported by an "energy bank" invest-to-save funding pool. Defunct office furniture is passed to a contractor who breaks it down into constituent parts and recycles it where possible.

Partnership working

Structures for partnership working on environmental issues are in place, but it is not yet clear that partners have worked together to add value in this area. The LSP includes an environmental forum as an offshoot of the executive, and "green events" have been undertaken for LSP partners. The Council has put in place an "environmental charter" programme for small and medium-enterprises, encouraging them to seek Council-awarded accreditation for their environmental performance. The Council has also been active in promoting green issues within the Civic Network. Internally, the Council has a voluntary network of officers comprising the staff "Green Forum". This group has undertaken some awareness-raising activity, and influenced the decision to provide recyclable packaging within staff canteen areas.

Recommendation 10 - reducing carbon emissions and water consumption

This area encompasses a wide range of activity, but there are two key areas in which the Council will need to demonstrate outcomes in order to improve its current assessment score;

- show a clear understanding of carbon emissions across the full range of Council services, and a year-on-year reduction to emissions quantifiable by volume and cost saving.

- show effective measurement of water consumption across all Council assets, and year-on-year reductions of consumption.

Within both areas, as well as providing a clear overview it will be useful to link specific initiatives to measurable reductions in the targeted area, for example the impact of installing low-carbon technology in a particular building.

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

3.2.1 - Strategic approach

The Council's Capital, asset and property management strategy was finalised in late 2008. This replaces previous asset management plan from 2005. The document sets out management of capital, assets and property as a business process to support achievement of corporate objectives. The strategy is a step forward from its predecessor in that it seeks to develop a corporate overview across the full range of Council assets, but remains largely inward-looking. There is an asset management work stream within the Council's future shape programme which, it is anticipated, will build on the Council's approach to asset management in partnership. Property and asset management sit within the resources directorate, and services hold assets in "stewardship". Housing assets are governed by

81

Appendix

the HRA business plan 2004. The decent homes programme is nearing completion, and the Council (with Barnet Homes) is planning for next steps.

3.2.2 - Performance management

Work to implement the CAPS strategy is gathering pace at the moment, with a key initial task being to aggregate all property information from the current separate sources into a single database. The corporate property team is currently looking at system options for this. This will be a significant challenge which will require a change to the perceptions around asset ownership and responsibility. A project officer has been appointed to deliver this, and the estimated contract value for a new system is £150k. Asset data is currently distributed across a range of locations and systems, with variable visibility and usability. Management of office accommodation is robust, as SAP provides clear visibility of spending data. The Council's Primary Schools Investment Programme (PSCIP) is based on a robust dataset derived from comprehensive surveying and analysis at the outset. Governance arrangements for the programme are good. There is an ongoing library refurbishment programme. There appears to have been limited member involvement in development of asset management policy, as the CAPS was largely officer-led. However, there is an ongoing challenge role with the lead cabinet member for policy and resources focusing on this area. A clear approach to capital investment appraisal is set out in the CAPS strategy.

3.2.3 - Asset management in partnership

The Council has a long-term strategic partnership with Middlesex University, which has led to asset rationalisation and exchange between the two organisations, to mutual benefit. There are a range of other Council assets being made available for mixed use with LSP partners and the voluntary and community sector. A key focus on the schools programmes is ensuring extended use of schools for local community benefit. At this stage, the Council has not transferred any assets to community ownership, and is looking for effective models to support this.

Recommendation 11 - Asset management
Show that the new Capital, Assets and Property strategy is being effectively implemented and is leading to improved outcomes in these areas. Clarify the impact of the developing future shape programme on asset management arrangements corporately and with partners

Recommendation 12 - Developing an integrated asset register
Show that the new Council has been successful in developing an integrated Asset Register, consolidating the existing separate databases for each portfolio, and is improving management and oversight of the asset base as a result.

82

Appendix

A Action plan

No.	Recommendation	Priority	Corporate Directors Group owner	Implementation details
1	**Treasury Management Training for Members** The Council should look to embed recent improvements in the control framework around treasury management, through relevant training sessions for those elected members with responsibility for governance of the treasury management function.	Medium	Deputy Chief Executive (S151)	From May 2009 the council responded promptly to issues arising from the Icelandic banking crisis by undertaking initially an external review of the control framework then an external assessment of compliance with the treasury management strategy. Internal audit have then carried out a short review. As a result the Treasury Management strategy has been revised, counter party limits tightened and an action plan to address weaknesses in the control framework has been produced. Training is being directed at Cabinet members with responsibility for governance of the treasury management function, and the impact of this training will be evaluated.
2	**Capital Programme** The Council should review the causes of slippage on the Capital expenditure programme for 2008/09 and consider the need to strengthen the planning, procurement and management arrangements for the Capital programme.	High	Commercial Director & Deputy Chief Executive (S151)	The capital programme is currently being reviewed by Strategic Finance to understand the causes of slippage. As part of this review, account will be taken of the need to link capital spend with funding and also effective cash flow management. Medium term capital planning and forecasting will be introduced as part of this with a view to linking future funding options and limitations. Project management arrangements have been tightened with greater clarity on project lifecycle management & governance. Project Consultancy has enhanced the

83

Appendix

No.	Recommendation		Priority	Corporate Directors Group owner	Implementation details
					project management guidance including the intranet self help pages and support to departments and the creation of the Investment Appraisals Board. The IAB has a representative from Finance who challenges capital proposals and requires business cases at various stages of the lifecycle to be presented with detailed financial implications and options.

The council will shortly be putting in place a new procurement strategy and is reviewing the corporate delivery model for procurement to strengthen the buying process. The SAP optimisation project is also reviewing the procurement processes and systems to enhance the management of corporate buying and to enhance management information. |
| 3 | **Demonstrating outcomes from VfM and efficiency programmes**

Ensure that the Council is able to clearly articulate and quantify the financial and non-financial benefits arising from all areas of the Future Shape and core efficiency programmes. Show that service review and analysis activity as part of this is leading to the targeted levels of improvement. | | High | Deputy Chief Executive (S151), Director of Corporate Services & Assistant Chief Executive | The council has been restructured to create a new Deputy Chief Executive post who will lead the value for money workstream of the Future Shape implementation programme. Three Directors covering Finance, Corporate Services and Commercial Services will work together on driving forward value for money projects, as part of core business. Finance is supporting departments to identify the financial benefits and efficiencies from the Future Shape programme. Financial benefits will be evident through the budget setting process, whilst non-financial benefits will be illustrated through corporate and national performance measures. |

Appendix

No.	Recommendation		Priority	Corporate Directors Group owner	Implementation details
4	**Improving understanding of total resources available across key partnerships** Show that, through the future shape programme, the Council is working with other organisations to improve understanding of the total resources available to significant partnerships.			Director of Corporate Services & Assistant Chief Executive	The Future Shape programme aims to develop a one public sector approach for the borough of Barnet, which involves the local strategic partners coming together on all areas where it is efficient and effective for them to do so. The most immediate proposals are that the LSP explores the potential for, and works towards setting up: o a common 'strategic insight' function (by April 2011) to share our understanding and analysis of information about our residents, their experiences and the place they live in. It is expected that a common commissioning function will also be explored. o a single customer service organisation for the Barnet public sector by the end of 2011 o Shared services for some property and back office support services by June 2011 o a range of prototypes, involving the development of new ways of solving our hardest challenges (eg. Supporting the disadvantaged) through more effective use of our combined resources. All these projects will require identification of the shared resources available and how they can best be used. A new LSP governance structure should be implemented by April 2010 and a refresh of the Sustainable Community Strategy for 2011-21 will take place by October 2010, which will also involve an

85

Appendix

No.	Recommendation		Priority	Corporate Directors Group owner	Implementation details
					appraisal of partnership resources.
5	**Whole-life costing** Whole-life costing techniques are in use in some areas, but the Council should develop clear criteria and procedures for more mainstream use within the corporate project management framework and demonstrate that these are consistently applied.		Low	Director of Commercial Services	The importance of realistic financial planning and analysis as part of compiling both outline and main business cases is stressed as part of the project management guidance. The importance of seeking appropriate financial advice, of considering both capital and ongoing revenue costs and the realisation of benefits is also emphasised. A clear demonstration that the project manager understands the holistic impact of their project, including whole life cost implications, is part of the business case assessment. Investment Appraisals board also considers this as part of the appraisal of the financial viability of key projects.
6	**Governance arrangements for the Audit of Accounts** The governance arrangements for the audit and accounts sign off process need to be tightened to allow more time for review, and greater prioritisation within the agenda, in order to optimise the level of scrutiny by elected members at both the Audit Committee and the Pension Committee.		High	Deputy Chief Executive (S151) & Director of Corporate Governance	The arrangements for next year's Audit Committee are being revised to enable sufficient time to be allocated for sign off of the accounts. The timetable for the close of accounts process is also being reviewed to ensure that, for example, accounting periods are closed off within two weeks to speed up the production of the draft balance sheet and statement of accounts.
7	**Commissioning and procurement** The Council should clarify the impact of the developing Future Shape programme on		Medium	Director of Commercial Services	A new strategy for procurement and commissioning is being developed. It is essential that this is future proofed and enables the clarity and control but also the flexibility

86

Appendix

No.	Recommendation		Priority	Corporate Directors Group owner	Implementation details
	commissioning and procurement arrangements, including development of an up-to-date procurement strategy, a clear approach to sustainable procurement and outcomes from these.				required to deliver the Future Shape programme. The new strategy will also emphasise the importance of understanding and controlling corporate procurement across the piece, focusing on compliance with corporate processes and optimisation of our procurement opportunities by analysing and effectively managing our category spends. There are some specific good examples in key projects as well as the integration into the contract procedure rules as part of the ongoing review process. Work has been undertaken to further integrate sustainable procurement into our procurement processes and strategies and we have engaged with London Remade in embedding sustainable procurement into core processes.
8	**Data protection act** Show that the Council has implemented effective arrangements for ensuring compliance with the requirements of the Data Protection Act.		Medium	Director of Corporate Governance	Directors have approved the creation of a small corporate team to lead on, promote and strengthen Data Protection across the Council. Their work will be supported by a network of service-based Link Officers who will drive forward improvement at a local level. Data Protection is currently the subject of an internal audit process, and the Information Commissioner's Office will shortly be undertaking an external audit and working with us on our priorities going forward. A new Data Protection Policy and Staff Guide are in draft form and compliance work is underway. A paper detailing Directors will be updated on progress on Data Protection in December 2009.

87

Appendix

No.	Recommendation		Priority	Corporate Directors Group owner	Implementation details
9	**Addressing weaknesses in internal control** Show that the identified weaknesses in internal control have been successfully addressed, leading to more rigorous culture of challenge and review, leading to clear corrective action. Key challenges include; • improving the coverage and strategy of internal audit; • improving the organisation's performance in responding to and following up on action plans arising from internal audit activity; and • demonstrating improved member and Audit Committee involvement and impact in the strategic management of risks.		High	Deputy Chief Executive (S151) & Director of Corporate Governance	An internal control improvement action plan has been developed (based upon the recommendations of specially commissioned external consultants) and an interim Head of Compliance and an interim Head of Internal Audit has been appointed to drive forward support the implementation of the plan. Progress against the plan is being tracked by the Statutory Officers Meeting on a monthly basis. A new Internal Audit Strategy is being formulated and will be reported to the Audit Committee in December 2009. The interim Head of Internal Audit is in the process of undertaking a significant review of the plan for internal audit activity in 2010 & 11 to ensure that it better reflects corporate plan objectives. A corporate restructure at senior officer level in October 2009 has re-designated the Head of Audit post as Chief Internal Auditor and Deputy Director of Corporate Governance to signify the importance of the role and the activity within the organisation. Ongoing training and development of the Audit Committee Members has been a regular feature at meetings over the past 18 months.
10	**Reducing carbon emissions and water consumption** This area encompasses a wide range of activity, but there are two key areas in which the Council will need to demonstrate outcomes in order to		Medium	Director of Environment and Operations	In February or March 2010 the Council plans to hold an ''Environment and Sustainability Month'' with activities specifically designed to raise awareness of environment and sustainability issues across the council through targeted staff briefings and recycling events. As part of 'enviro month' the Council is developing

Appendix

No.	Recommendation		Priority	Corporate Directors Group owner	Implementation details

	improve its current assessment score;
	
	 • show a clear understanding of carbon emissions across the full range of Council services, and a year-on-year reduction to emissions quantifiable by volume and cost saving.
	
	 • show effective measurement of water consumption across all Council assets, and year-on-year reductions of consumption.
	
	 Within both areas, as well as providing a clear overview it will be useful to link specific initiatives to measurable reductions in the targeted area, for example the impact of installing low-carbon technology in a particular building.
					proposals to launch a borough-wide, visual 'enviro' campaign to raise awareness of environment and sustainability issues amongst residents.
					
					 A longer term approach to sustainability was set out in a paper "A New Sustainable Model For Barnet Council" and considered by Directors Group on 17 November 2009. It recommending the following actions:
					
					    o AMR (Automated Meter Reading) should be installed for gas & water & electricity in as many council-owned properties as possible
					    o That increased resources should be deployed to support an expansion in the collection and reporting of carbon emission and water usage data
					    o The continuation of the Energy Efficiency Investment Programme (EEIP), to include:
					      a. Power reduction & light controls at NLBP
					      b. Insulation works & heating system upgrades & water conservation at schools and pavilions
					      c. Lighting controls at libraries and back office areas
					 2 That attempts should be made to effect a change in staff culture so that employees cut waste, energy use and car use
					 3 That work should start now to identify a greener council fleet

89

Appendix

No.	Recommendation	Priority	Corporate Directors Group owner	Implementation details
11	**Asset Management** Show that the new Capital, Assets and Property strategy is being effectively implemented and is leading to improved outcomes in these areas. Clarify the impact of the developing future shape programme on asset management arrangements corporately and with partners	Medium	Director of Corporate Services & Director of Commercial services	o The Future Shape work around the property strand has mapped out a development path for asset management as part of the development of estate management function going forward. The property functions of the council are now consolidated within the Commercial Directorate. The revision of the estate strategy is critical and currently underway, involving understanding our estate and how we use it and identifying the opportunities to share and enhance the usage of our buildings and also to rationalise the portfolio we maintain. This work will ensure our estate is fit for purpose and capable of supporting the future shape objectives. Flexibility in our operational estate and effective management of our commercial portfolio are essential in achieving these goals. The current Accommodation project work is also a critical element of enabling the flexible working essential within the transformation planned over the near future.
12	**Developing an integrated asset register** Show that the new Council has been successful in developing an integrated Asset Register, consolidating the existing separate databases for each portfolio, and is improving management and oversight of the asset base as a result.	Medium	Director of Corporate Services & Director of Commercial Services	o The council is undertaking a comprehensive review of its requirements for an asset management system and the asset register, ensuring that best use is made of the SAP asset module. This should lead to a consolidated asset register and improved management and oversight of the asset base.

B CAA and the new Use of Resources Framework

The Old UoR Regime

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

- Financial Reporting
- Financial Management
- Financial Standing
- Internal Control
- Value for Money

Authorities received an overall UoR score, and a score for each area as set out below;

Score	Key
1	Below minimum requirements - performing inadequately
2	At only minimum requirements - performing adequately
3	Consistently above minimum requirements - performing well
4	Well above minimum requirements - performing strongly

This score directly influenced each organisation's overall CPA score and had a significant impact on external perception and reputation.

The move to Comprehensive Area Assessment

The CPA regime provided an effective roadmap and stimulus for improvement, which helped many authorities to move in the right direction, focusing on externally validated strengths and weaknesses. This was reflected by a national picture of gradually improving scores and assessment results from 2005-8, and improving services to the public.

However, in order to build on the success of CPA, the Audit Commission recognised the need to:

- Ask "how well are people served by their local public services?" rather than "how well are people served by their Councils?"
- Focus on outcomes for an area, not just on individual organisations
- Consider local priorities rather than apply a "one-size fits all" approach
- Consider whether performance is likely to improve in the future, rather than how it has improved in the past

Appendix

- 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.

Appendix

Use of Resources under CAA (source: the Audit Commission)
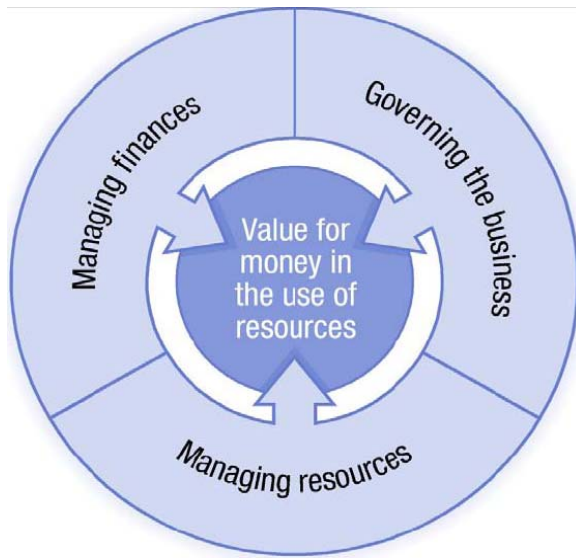
The individual KLOEs for each theme are detailed in the main body of this document. Scoring criteria are set out in appendix C.

93

Appendix

C Scoring criteria and rules

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

Level 2 Performs adequately	Level 3 Performs well	Level 4 Performs excellently
Arrangements consistent with established professional practice and guidance, meet **statutory requirements** and operate effectively.	Implemented effective arrangements that are: ➢ **forward looking** and **proactive** in identifying and developing opportunities for improvement; and ➢ include more sophisticated measuring and assessment techniques.	Demonstrating **innovation** or **best practice**.
Arrangements sufficient to address the KLOE.	**Outputs** and **outcomes** demonstrate arrangements which are effective and have the **intended impact**, and show evidence of effective **partnership working**.	Demonstrating strong **outcomes for the community** including through **partnership working**.
Arrangements achieve minimum **acceptable levels of performance**.	Evidence of performing **consistently above minimum acceptable levels** and achieving **VFM**.	Evidence of performing **well above minimum acceptable levels** and achieving **excellent VFM**.

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

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

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

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

Appendix

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

95

Appendix

D KLOEs specified for assessment in 2008/09 and 2009/10

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

		Single tier or county council	Districts	NHS PCTs
Theme 1 - Managing finances				
1.1	Financial 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	WCC
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	Y	N	N
3.2	Asset management	Y	N	Y*
3.3	Workforce management	N	Y	Y

*only assessed at PCTs with a significant asset base.

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

96

Appendix

		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	WCC
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

*only assessed at PCTs with a significant asset base.

Full details of the scoring methodology are provided at the Audit Commission's website at;

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