Use of Resources

Carlisle City Council

Audit 2008/09

December 2009

Contents

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Summary

This report summarises our key findings from our assessment of how Carlisle City Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people.

1   The use of resources (UoR) assessment for 2008/09 is more demanding than previous assessments. The Key Lines of Enquiry (KLOE) are more broadly based than previously and embrace wider resource issues such as workforce planning. The KLOE focus more on value for money achievements, outputs and outcomes rather than on processes. As a result of the changes a direct comparison cannot and should not be made with the outcome of UoR assessments in previous years.

2   The Council's use of resources theme scores have been assessed as follows.

- Managing finances
  - Level 2 : performs adequately
- Governing the business
  - Level 2 : performs adequately
- Managing its human resources
  - Level 2 : performs adequately

Managing finances

3   The Council has a five year Medium Term Financial Strategy (MTFS) which is reviewed annually, linked to its corporate priorities and sets out the framework for managing its financial resources. There is a policy for the use of reserves and recognition that using them annually to support the revenue budget is not sustainable in the long term. Savings plans are in place but in some areas have not been achieved in 2008/09 although efficiency targets exceeded.

4   There is corporate ownership of financial management. Timely monthly financial monitoring reports are produced for revenue and capital with quarterly reporting to Members setting out links between performance and the financial position. Historically, the Council has managed its revenue budget within available resources. The capital programme is historically significantly underspent against budget, with underspending in 2008/09 being £4.1m (42 per cent). Links between the in year financial monitoring of the capital programme and the outturn financial position need improving It is not clear whether from the capital monitoring reports whether the Council has a problem with the delivery of the capital programme or with the profiling and monitoring of expenditure.

5   Costs are benchmarked against the 'nearest neighbour' and 'historic cities'. This shows that the areas of high spend are in line with the Council's key priorities. Costs for some services have been analysed to a unit or transactional level but this is yet to be developed in all service areas.

6   The preparation of the accounts has been problematic in previous years. However, the Council has been able to continue the improvement trend again this year. As a result, there were no material errors in the 2008/09 unaudited accounts and the overall number of errors reduced.

Governing the business

7   The Council and its partners have a clear vision of the outcomes it intends to deliver for local people. However, the extent to which this is based on a full understanding of community need is less clear. The Council has invested in building capacity in its commissioning and procurement function and this has led to a clear procurement framework for officers and savings and improved outcomes for local people. The Council manages a five year programme of service reviews but does not routinely evaluate all alternative service delivery options for some services.

8   There is a strong corporate commitment to data quality and the arrangements in place to support this are good. The Covalent performance management system has been introduced and performance is reported to the Executive and the Corporate Resources Overview and Scrutiny committee on a quarterly basis. Achievements against national and local Performance Indicators including benchmarking information are set out in the reports. Annual performance also reported at the year end.

9   A number of improvements are required to the IT security environment to ensure data security is maintained and to improve overall internal control. This was reported to the Council by Internal Audit and is now reflected in the Council's own annual governance statement.

10   There are appropriate governance arrangements in place and the working relationships between officers and members are good with a strong focus on achieving the Council's corporate objectives. Policies and procedures for ethical governance are sound although work had to be undertaken to raise awareness amongst staff and Members on the Standards Committee and whistleblowing policy. All significant partnerships are subject to an annual review of objectives and governance arrangements but improvements are required to governance and risk management arrangements at Cumbria Strategic Partnership.

Managing resources

11   Of the three 'managing resources' KLOE's only one, workforce planning, was assessed for 2008/09. The new UoR assessment also required workforce planning to be assessed in greater detail than in previous years.

Summary

12 The Council has a comprehensive and well ordered approach to training and development. There is a strong emphasis on, and commitment to, the raising of skill and qualification levels, with a good focus on basic skills. The Council's Workforce Development Plan 2006 to 2010 was approved in April 2007. It is a comprehensive document which adopts a broad approach to workforce development and links this to the council of the future. Although there is a high level gap analysis a corporate skills audit has not been undertaken and there is no reference to specific future needs or specific groups of staff. There is evidence of some workforce planning in responding to skills shortages with the introduction of a 'grow your own' approach in some services.

13 The Council has a range of ways of engaging with staff and regularly surveys the views of staff. However, from the staff survey in 2008, almost a quarter of staff believed that the Council was doing nothing to help them cope with the change agenda. The Council has responded during 2008/09 to these concerns through the 'Future Focus' workshops which give positive indications for the future management of change. The transformation programme is in its early stages so for 2008/09 we are unable to assess how this has been managed as far as staff are concerned. Job evaluation and single status has been a lengthy process and is still not implemented.

14 The Council is at Equality Standard level 2. It is working towards level 3 during 2009/10 by implementing its detailed action plan. Although there are good intentions to move towards a single equality scheme and the new national equality framework these developments are for the future.

Way forward

15 The main body of this report provides more information on the approach followed and the outcome. Our detailed findings are shown in Appendix 1. An Action Plan bringing together all of our recommendations, together with the action agreed with officers, is included in Appendix 2.

Introduction

16 This report sets out my conclusions on how well Carlisle City Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people and give scored use of resources theme judgements.

17 In forming my scored theme judgements, I have followed the methodology set out in the use of resources framework: overall approach and key lines of enquiry (KLOE) document and the use of resources auditor guidance. For each of the specific risks identified in relation to our use of resources work, which were set out in our audit plan, we considered the arrangements put in place by the Council to mitigate the risk and plan our work accordingly.

18 The use of resources assessment for 2008/09 is more demanding than previous assessments. The KLOE are more broadly based than previously and embrace wider resource issues such as workforce planning and the use of natural resources. The KLOE focus more on value for money achievements, outputs and outcomes rather than on processes. The KLOE are also more strategic and less detailed. As a result a direct comparison cannot and should not be made with the outcome of UoR assessments in previous years.

Use of resources framework

19 From 2008/09, the new use of resources assessment forms part of the Comprehensive Area Assessment (CAA) and comprises three themes that focus on:

- sound and strategic financial management;

- strategic commissioning and good governance; and

- the management of natural resources, assets and people.

20 The scores for each theme are based on the scores reached by auditors on underlying KLOE. The KLOE are generic and applicable equally to all organisations subject to use of resources judgements under CAA. This promotes consistency, demonstrating all organisations within a CAA area are treated in the same way, and to the same standards.

21 The Commission specifies in its annual work programme and fees document, which KLOE are assessed over the coming year.

22 Judgements have been made for each KLOE using the Commission's current four point scale from 1 to 4, with 4 being the highest, please see Table 1. Level 1 represents a failure to meet the minimum requirements at level 2.

Introduction

Table 1   Levels of performance

Level 1	Does not meet minimum requirements – performs poorly
Level 2	Meets only minimum requirements – performs adequately
Level 3	Exceeds minimum requirements – performs well
Level 4	Significantly exceeds minimum requirements – performs excellently

Source: use of resources framework: overall approach and KLOE document

Use of resources judgements

Scored judgements

23 Carlisle City Council's use of resources theme scores are shown in Table 2.

Table 2   Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances How effectively does the organisation manage its finances to deliver value for money?	2 performs adequately
Governing the business How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people?	2 performs adequately
Managing resources How well does the organisation manage its natural resources, physical assets and people to meet current and future needs and deliver value for money?	2 performs adequately

Managing finances

24 Councils need a medium to longer term approach to planning and managing their finances to ensure that corporate priorities are delivered in a timely and cost effective way. Therefore, there needs to be a full understand of costs to assist in delivering efficiencies and ensuring value for money, and clear financial reporting to allow both internal and external understanding and challenge of performance.

25 The Council has a five year Medium Term Financial Strategy (MTFS) which is reviewed annually, linked to its corporate priorities and sets out the framework for managing its financial resources. Annual budgets for revenue and capital are balanced and comprehensive and there is evidence that stakeholders are engaged in the budget consultation. There is a policy for the use of reserves and recognition that using them annually to support the revenue budget is not sustainable in the long term. The potential impact of the recession has been factored into future spending plans. Savings plans are in place but in some areas eg vacancy management, they have not been achieved in 2008/09. This increases the financial pressure going forwards.

26   There is corporate ownership of financial management. Timely monthly financial monitoring reports are produced for revenue and capital including variance analysis and action taken or required. Quarterly reporting to Members set out links between performance and the financial position. During 2008/09 attention was given to the shortfall of income and used to predict the impact on forecasted projected revenue outturn figures. Historically, the Council has managed its revenue budget within available resources with links between in year and year end reporting.

27   The capital programme is historically significantly underspent against budget, with underspending in 2008/09 being £4.1m (42 per cent). However, the links between the in year financial monitoring of the capital programme and the outturn financial position is not clear. Clarity over which projects have been brought forward from the previous year and the extent to which they have been delivered in the new year needs improved. Based on the capital monitoring reports it is difficult to challenge slippage of the programme and it is not therefore clear whether the Council has a problem with the delivery of the capital programme or with the profiling and monitoring of expenditure.

28   Costs are benchmarked against the 'nearest neighbour' and 'historic cities'. This shows that the areas of high spend are in line with the Council's key priorities. Costing information to support decision making is of reasonable quality and investment appraisal processes are in place and linked to risk planning processes. Costs for some services have been analysed to a unit or transactional level but this is yet to be developed in all service areas. The Council has been developing a whole life costing approach to spending and procurement decisions and information is captured relating to social, environmental and sustainability as well as economic factors but this in not yet fully embedded.

29   The Council sets and monitors targets for the collection of revenues income and levels of arrears. The levels are monitored monthly and reported quarterly but the targets are not sufficiently challenging as they are based on maintaining the performance levels achieved in the previous year.

30   The Council set and exceeded it efficiency targets for 2008/09. A shared service has been introduced for ICT and consideration is now being given to a shared service for some revenues functions.

31   The preparation of the accounts has been problematic in previous years. However, the Council has been able to continue the improvement trend again this year. As a result, there were no material errors in the 2008/09 unaudited accounts and the overall number of errors reduced. The published accounts and annual audit letter are available either in hardcopy or on the Council's website and are available in a number of formats. An annual report and summary accounts are also available.

Recommendation
R1   Review the profiling and resourcing of the annual capital programme to ensure that the capital programme that is approved can be delivered each year.

Recommendation	
R2	Improve the in year reporting of the capital programming so that it is clearly linked to the year end position. Provides greater clarity about the reasons for variances (whether they are slippages or poor profiling of the budget) and clearly identify the extent to which projects brought forward from the previous year have been delivered in the new year.

Governing the business

32 Councils should understand the needs of their local communities and commission services that provide value for money and deliver better outcomes for local people. To do this they must have good quality data on which to make decisions, and monitor performance, and have sound governance and risk management arrangements in place internally and with partners.

33 The Council and its partners have a clear vision of the outcomes it intends to deliver for local people. However, the extent to which this is based on a full understanding of community need is less clear. The Council has invested in building capacity in its commissioning and procurement function and this has led to a clear procurement framework for officers. As a result, there is evidence of savings and improved outcomes for local people. The Council manages a five year programme of service reviews but does not routinely evaluate all alternative service delivery options for some services.

34 There is a strong corporate commitment to data quality and the arrangements in place to support this are good. The Covalent performance management system has been introduced and users and managers have been involved in designing the way it operates. Performance is reported to the Executive and the Corporate Resources Overview and Scrutiny committee on a quarterly basis. Achievements against national and local Performance Indicators including benchmarking information are set out in the reports. Annual performance also reported at the year end.

35 A number of improvements are required to the IT security environment to ensure data security is maintained and to improve overall internal control. This was reported to the Council by Internal Audit and is now reflected in the Council's own annual governance statement.

36 There are appropriate governance arrangements in place and the working relationships between officers and members are good and there is a strong focus on achieving the Council's corporate objectives. Policies and procedures for ethical governance are sound although work had to be undertaken to raise awareness amongst staff and Members on the Standards Committee and whistleblowing policy. All significant partnerships are subject to an annual review of objectives and governance arrangements but improvements are required to governance and risk management arrangements at Cumbria Strategic Partnership.

37 Risk management arrangements are effective with risk registers now linked with the Covalent performance management system. Quarterly reports are taken to Corporate Resources Overview and Scrutiny Committee. The Council can demonstrate positive outcomes from its risk management arrangements. Counter fraud and corruption arrangements are in place and are supported by an action plan designed to improve awareness, prevention and action against fraud. The Council's has responded positively to the National Fraud Initiative (NFI) and has taken a pro-active approach in reviewing matches.

Recommendations	
R3	Ensure that the service review process considers all service delivery options for all services as part of the rolling programme.
R4	Ensure that the agreed action plan from Internal Audit's report 'Audit of ICT Security Policy and Annexes' is implemented in the agreed timescale.
R5	Ensure that risk management and governance arrangements weaknesses in partnerships are addressed.
R6	Assess whether staff and Member understanding of ethical governance and fraud awareness issues has improved.

Managing resources

38 Councils need a strategic approach to addressing current and future workforce issues, putting in place effective programmes of action to attract, retain, develop and motivate a 'fit for the future' workforce. Workforce planning therefore needs to be fully integrated with corporate and business planning to ensure that current and future priorities are delivered.

39 The Council has a comprehensive and well ordered approach to training and development. There is a strong emphasis on, and commitment to, the raising of skill and qualification levels, with a good focus on basic skills and on developing all employees to at least NVQ level 2 standard. Member training arrangements are thorough and well thought out and the training framework links member development to the needs of the community.

40 The Council's Workforce Development Plan 2006 to 2010 was approved in April 2007. It is a comprehensive document which adopts a broad approach to workforce development and links this to the council of the future. It contains analysis of key challenges, current position and an action plan. There is a high level gap analysis and references to ensuring that the Council has the staff and skills it needs in the future. However, a corporate skills audit has not been undertaken and there is no reference to specific future needs or specific groups of staff. There is evidence of some workforce planning in responding to skills shortages with the introduction of a 'grow your own' approach in some services. The Council's approach to shared services and trying to progress this is, in part, a recognition and response to staffing issues.

41 The Council has a range of ways of engaging with staff and regularly surveys the views of staff. However, from the staff survey in 2008, almost a quarter of staff believed that the Council was doing nothing to help them cope with the change agenda. The Council has responded during 2008/09 to these concerns through the 'Future Focus' workshops which give positive indications for the future management of change. The transformation programme is in its early stages so for 2008/09 we are unable to assess how this has been managed as far as staff are concerned.

42 The Council is at Equality Standard level 2. It is working towards level 3 during 2009/10 by implementing its detailed action plan. Although there are good intentions to move towards a single equality scheme and the new national equality framework these developments are for the future. Efforts are being made to secure a more representative workforce and to respond to the needs of disabled staff. There is good HR support to service managers and evidence of range of good HR management policies. Job evaluation and single status has been a lengthy process and is still not implemented.

Recommendations
R7 Update the Council's Workforce Development Plan so that it is more specific in terms of future needs, timing and its impact on specific groups of staff. It should be based on a fuller understanding of current skills and the impact of proposed shared services.
R8 Assess how the implementation of the transformation programme has been managed from the staff's perspective.

Detailed findings

43 The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 1.

Use of resources 2009/10

44 The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. My work on use of resources informs my 2009/10 value for money conclusion. In my letter of 22 April 2009 about the audit fee for 2009/10, at that stage I did not identify any significant risks in relation to my value for money conclusion. As such, no additional work has been planned.

45 An additional KLOE, 3.1 - Natural resources will apply to District Councils for 2009/10. The Council, along with others, is likely to find this area challenging and, as it is a new area to be assessed, we will be undertaking a detailed assessment.

46 I have assessed whether there are any additional risks arising from my 2008/09 value for money conclusion and have concluded that there are none.

47 For 2008/09 the Head of Revenues and Benefits provided us with a self assessment. However, whilst the self assessment did refer to some outputs and outcomes, its main focus was still on inputs and processes and not all criteria were clearly addressed. The storyboards for the managing finances theme were all re-written by the Council and we have had to undertake additional work in re-visiting work already done as part of Use of Resources which will result in an additional audit fee. Given that the Use of Resources and CAA assessment focus is now on outputs and outcomes it is essential that the 2009/10 self assessment is focussed on outcomes, provides more evidence of these and clearly addresses all criteria.

48 The public, officers and members are interested in the outputs and outcomes of the Council's decisions. As such, when decisions are taken, the intended outputs and outcomes should be specified so that subsequent performance can be assessed.

Appendix 1 – Use of resources key findings and conclusions

The following tables summarise the key findings and conclusions for each of the three use of resources themes.

Table 3   Theme 1 - managing finances

Theme 1 - managing finances - score	**2**
KLOE 1.1- Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	**2**
Key findings and conclusions	

Integrates financial planning with strategic and service planning processes on a medium- to long-term basis

The Council has a Medium Term Financial Plan (MTFP) covering the five year period from 2009/10 to 2013/14 and this is reviewed and updated annually. It sets out the framework for planning and managing the Council's financial resources and supports its annual budget strategy. The MTFP aims to link the key aims and objectives contained in the Corporate Plan and Community Plan to the available resources. The Council's revenue and capital budgets are approved on a timely basis, are comprehensive and are integrated so that the financial impact of the proposed capital programme is reflected in the revenue estimates and MTFP. There is an approved Reserves Strategy included in the MTFP. At present, the MTFP requires the use of reserves each year to support the revenue budget. However, the Council has acknowledged that this is not sustainable in the long term and in response has developed savings plans, carried out service reviews and are restructuring senior management to drive out costs. The potential impact of the recession has been factored into the Council's future spending plans. The Council has explored the use of shared services and operates shared ICT and staff sharing for some revenues functions.

Engages local communities and other stakeholders in the financial planning process

Engaging stakeholders and the community has occurred with budget consultation discussions with the Large Firms Affinity Group and trade unions. Comments were invited from staff via e-mail and the intranet and public consultation was offered via the web site, Carlisle Focus magazine and the local paper. Key messages from the financial planning process are communicated to staff and key stakeholders through publications on the Council's website.

Appendix 1 – Use of resources key findings and conclusions

Key findings and conclusions

Manages spending within available resources and is financially sound over the medium term

The Council has been successful in limiting the Council Tax increase to 3.5per cent per annum since 2005/06. Historically, the Council has managed its revenue budget within available resources. However, the expected savings from the vacancy management programme were not fully delivered in 2008/09 which increases the financial pressure going forwards.

The capital programme is historically underspent against the budget, with underspending in 2008/09 being £4.1m (42 per cent).

The Council sets and monitors targets for the collection and recovery of revenues income and levels of arrears. The levels are monitored monthly and reported quarterly but the targets are not challenging as based upon maintaining levels already achieved in the previous year.

Recognises individual and collective responsibilities for financial management and values and develops financial skills

Throughout the monitoring and budgeting process, Members and Directors review the existing and potentially new budget areas. Budget discipline is set out in the Budget Resolution and Financial Plan. Quarterly revenue and capital budget monitoring reports go to Members via the Senior Management Team, the Strategic Planning Group, the Corporate Resources Overview and Scrutiny Committee, Executive and Council. Performance information and targets are compiled monthly and reported quarterly. There is corporate ownership of financial management and roles and responsibilities are clear and understood. The Audit Committee has received training on budgetary control which ensures it is equipped to challenge financial information. A Task and Finish Group is considering how budget scrutiny could be improved with particular reference to examining best practice. The Audit Committee considers both internal and external audit reports raising matters with the Executive as necessary.

Theme 1 - managing finances - score	2
KLOE 1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	2

Key findings and conclusions

Understands its costs, including whole life, transaction and unit costs, the main factors that influence these and how they link to performance

Costs are benchmarked against the 'nearest neighbours' and 'historic cities' using the CIPFA statistics service. Annual value for money assessments are undertaken for services which compare against the nearest neighbours. These confirm that areas of high spend are in line with the key priorities. Costs for some services have been analysed to a unit or transactional level but this has yet to be embedded in all services. As a result, comparisons to explain why they are different at unit cost level and to provide challenge at this level are not possible in all services.

Takes account of this understanding of its costs and performance in decision making and commissioning

Costing information to support decision making is of reasonable quality and investment appraisal processes are in place and linked to risk planning processes. The Council is developing its whole life costing approach to spending and procurement decisions with information captured relating to social, environmental, sustainability as well as economic factors, but this is not fully embedded across all service areas.

Identifies the scope for making efficiencies and is on track to achieve planned efficiencies

Resource targets, including efficiency targets, are set corporately. The service planning and financial planning processes are integrated so that the resource allocation decisions are considered alongside service plan objectives. An Efficiencies Working Group is in place which meets regularly to oversee and progress the Council's involvement in shared services, efficiency and improvement plans. Service reviews have been conducted which have highlighted operational issues where decisions taken have led to changes in service and staffing levels. Shared services have been considered and introduced for ICT and for some parts of the revenues and benefits service.

Since the 2006/07 budget process, the requirement to identify efficiency savings is included as a separate section in the budget pro-formas. The requirements of NI179 (national indicator on efficiencies) are understood and processes surrounding this measure are effective. Efficiency savings are monitored by Accountancy Services and are evidenced by the Efficiencies Section. Efficiency targets for 2008/09 were exceeded. The limited use of unit costs information means that the Council cannot demonstrate that the cost of delivering the same level of service has reduced over time. The Council has not embedded innovative ways of delivering across all services and some services that have been in-house for many years are only now being been considered for alternative delivery models, such as outsourcing.

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

Key findings and conclusions

Produces relevant, timely and reliable financial monitoring and forecasting information

Monthly Financial Information System (FIS) reports are produced for both revenue and capital along with variance analysis reports. Reports are produced on a timely basis each month and distributed to budget holders. Monthly finance meetings between Directors or Service Heads and Finance staff are held within a week of their issue to ensure that current issues are picked up and dealt with within an appropriate timescale and that explanations can be given that can feed into the relevant reporting cycles.

Trend analysis is undertaken for high risk areas. For example, during 2008/09, attention was given to the shortfall of income, mainly from car parks, land charges (impact from drop in housing market and planning charges), interest rates and concessionary fares. This information was used to predict the impact on forecasted outturn figures.

There are links between revenue in year financial monitoring and outturn financial information reported externally to stakeholders however this is not the case for the capital programme as the in year reporting does not provide an indication of the year end position.

Uses financial and related performance information to monitor performance during the year

Performance is reported quarterly to SMT, the Executive and the Corporate Resources Overview and Scrutiny Committee. Achievements against national and local Performance Indicators including benchmarking information are set out in the report. Annual performance is also reported at the year end.

At budget monitoring level, the revenue and capital monitoring reports set out the link between performance and the financial position on a quarterly basis comparing actual against budgets. The revenue monitoring includes details of variances, reasons why they have arisen and any action taken to address the issue. The quarterly reporting and final outturn of the capital programme is less clear in terms of reporting real variances against the total budget. Clarity over which projects have been brought forward from the previous year and the extent to which they have been delivered in the new year needs improved. Based on the capital monitoring reports it is difficult to challenge slippage of the programme and it is not therefore clear whether the Council has a problem with the delivery of the capital programme or with the profiling and monitoring of expenditure.

Produces financial reports that are clear, relevant and concise to support strategic decision making

The General Ledger is accessible to staff and is up to date. Flexible reporting tools allow bespoke reports to be produced. Although these often require the assistance of senior finance staff, this does ensure that the information meets precise requirements, is timely, relevant and concise. For example, reports prepared using cross cutting financial information based on classification codes enables specific project costs to be identified cross a range of services.

Key findings and conclusions

Prepares accounts that meet statutory requirements, financial reporting standards and present fairly, or give a true and fair view of, the financial performance and position

The Council's track record in preparing accounts that meet the required standards continues to improve. A final accounts timetable was produced and circulated to responsible officers agreeing the deadlines and responsibilities for the accounts and supporting working papers. Regular meetings were then held to ensure this timetable was met. Scrutiny of the draft accounts was with the Audit Committee. There were no material errors identified during the audit in 2008/09 and the overall number of errors reduced.

The Council has started work ob the issues that will affect it following the move to IFRS based accounts. Draft analytical review working papers for all changes to accounting practice needed to conform to IFRS have been identified. A detailed review of each IFRS is to be undertaken to ensure that the Council is fully compliant, and a project plan has been drawn up for implementation.

Publishes reports that provide an objective, balanced and understandable assessment of the organisation's performance in the year

The Council works closely with the groups that represent those that are in a minority in our local communities, including those with a disability and ethnic minorities, to ensure their communications and consultation needs are met. The most recent published accounts and annual audit letter are available either in hardcopy or on the Council's website. Copies are available in a number of formats, large print, Braille and audio. Documents can be made available in a range of languages and details of how to obtain them is given in these languages. Information is displayed in a graphical format as well as text. Reports examine the implications of equality issues and the impact on customers. An annual report is produce and summary accounts.

Table 4   Theme 2 - governing the business

Theme 2 - governing the business - score	2
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?	**2**
Key findings and conclusions	
Has a clear vision of intended outcomes for local people which shapes its commissioning and procurement, and is based on an ongoing analysis and understanding of needs The Council and its partners have a clear vision of intended outcomes for local people and this is being used to shape all their activities including their commissioning and procurement arrangements. The Sustainable Community Strategy and the Council's own Corporate Improvement Plan 2007 to 2010 have set in place clear priorities and objectives for local services and partnerships to deliver. The Council's priorities complement those of the Local Strategic Partnership (LSP). The Council has a clear action plan which underpins its commissioning and procurement activities and has delivered against this in 2008/09. Over the last two years it has invested in building capacity to tackle commissioning and procurement in a more strategic way and there is now a clear procurement framework which is designed to guide officers when taking procurement decisions. The Council's full understanding of need is limited as although customer satisfaction surveys are carried out analysis of access to services and any barriers is not clear. The Council has recognised this and it taking steps to develop a user profile. **Involves local people, partners, staff and suppliers in commissioning services** The Council had made some attempts to involve local stakeholders and businesses in its procurement decisions but this appears not to be widespread or a matter of routine. **Seeks to improve the customer experience, quality and value for money of services through service redesign, making effective use of IT** The Council has made effective use of ICT to enhance the customer experience, maximise efficiency and improve value for money – with specific examples including its investments in the IDeA Marketplace, The Chest tendering system (as used by all Effective Procurement in Cumbria (EPiC) member agencies) and the Civica e-ordering system.	

Key findings and conclusions

Understands the supply market and seeks to influence and develop that market

The Council is working with local businesses, the third sector and potential suppliers to gain a better understanding of the supply market. It has worked with suppliers to assist them in building their capacity and capability to bid for Council contracts. The Council has made savings in a range of targeted commodity items by evaluating alternative service delivery options. The Council is determined to make the most of its resources by seeking, wherever possible and appropriate, to work in partnership with other authorities and partners. Work is ongoing with a range of partners to review services and supply chains and the EPiC group is looking at shared services.

Evaluates different options (internal, external and jointly with partners) for procuring services and supplies

The Council is involved in a shared service for ICT and is currently in negotiations over a possible shared service for revenues and benefits. However, the Council does always routinely evaluate all alternative service delivery options when assessing optimum service models with several area still delivered in-house (refuse collection, street cleaning, grounds maintenance). The extent and robustness of challenge to these services has been limited but has included annual review of VFM using benchmarking / indicators. More detailed reviews of waste services undertaken by the Association of Specialists in Public Expenditure (APSE) in 2009 and some elements of waste services market tested in 2003.

Reviews the competitiveness of services and achieves value for money, while meeting wider social, economic and environmental objectives

The Council manages a five year programme of service reviews. The Procurement Unit has delivered improved outcomes for local people in 2008/09 eg working in partnership on an aged persons care facility, and they have been involved in procuring services worth over £5m in 2007 and 2008. It is likely that more services will be subjected to competitive tendering within the next two years.

Appendix 1 – Use of resources key findings and conclusions

Theme 2 - governing the business - score	2
KLOE 2.2 Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	**2**
Key findings and conclusions	

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

There is strategic responsibility for data quality and members and senior officers are involved in scrutinising the quality of performance information. This scrutiny is supported by a quarterly programme of internal audit reviews of data quality. The Council has a data quality policy and supporting guidance available to staff. Reminders are sent out to responsible officers to ensure that robust performance information is available in a timely manner. The Covalent performance management system has been introduced; users and managers have been involved in designing the way it operates. All instances of third party data sharing have been identified. Protocols and agreements on data quality are either in place or are under development. The data quality policy sets out the roles and responsibilities of staff in relation to data quality. These are considered in appraisals where appropriate and guidance and bespoke support is available from the policy and performance team. The Council is recognised by external bodies and the Audit Commission for its approach to mapping and analysing small area data to inform service improvement.

Provides information which supports the decision making process

The Council's continues to develop its data quality arrangements alongside the further development of performance management. The Covalent performance management system is available to partners where appropriate and includes risk management. Performance reports are made against priorities, with regular reports on progress against the Community Plan and LAA targets, the latter disaggregated to Carlisle wherever possible. Performance is reported to Executive and to O&S committees and reports cover aspects good performance as well as underperformance, although more detail is provided on underperformance.

Ensures data security and compliance with statutory requirements

The Council has a range of policies to underpin the security of its data: the Data Protection Policy (2002), the Information Management Policy (2005) and the ICT Security Policy (2008). However, an internal audit report in 2008/09 identified significant weaknesses including an out of date Data Protection Policy, elements of the IT security policy that were still to be fully implemented, no requirement for staff to change network passwords, no formal change control procedures and the need to improve ICT security awareness amongst staff.

Monitors performance against priorities

Performance is reported quarterly to SMT, the Executive and the Corporate Resources Overview and Scrutiny Committee. Achievements against national and local Performance Indicators including benchmarking information are set out in the report. Annual performance measures are reported at the year end. Members are actively engage in performance management and are able to make some links to financial management. The Covalent system is used for performance management and is well regarded by members and officers as easy to understand and interrogate. The report of the member task and finish group on performance reporting to scrutiny committees in February 2009 was positive in identifying the ways in which scrutiny committees should receive information in the future ie live presentation. However, it also identified some dissatisfaction with the timeliness of reporting in 2008/09.

KLOE 2.3 Does the organisation promote and demonstrate the principles and values of good governance?	**2**
Key findings and conclusions	

Has adopted, promotes and demonstrates, the principles of good governance

The Council has a constitution which sets out how it operates, roles and responsibilities, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Council's constitution includes a formal scheme of delegation and reserve powers, and is reviewed and updated as appropriate. There is a comprehensive training programme to ensure that members and officers are aware of their respective roles and responsibilities. Each member has an individual learning portfolio which incorporates an annual personal development review and development plan. Feedback on training and development is received and acted upon.

Maintains focus on its purpose and vision

The Council has a clear vision of what it wants to achieve, and its priorities of Carlisle Renaissance, Cleaner, Greener and Safer and Learning City were identified after wide consultation. There are good working relationships between officers and members and a strong focus on achieving the Council's corporate objectives.

Demonstrates a strong ethical framework and culture

The Council has a Code of Conduct for Members and an Officers' Code of Conduct. There are additional protocols relating to use of IT and planning matters. There are robust arrangements in place for monitoring compliance with staff and member codes of conduct, registers of interests and registers of gifts and hospitality. Members' interests are shown on the Council's website. Work has been undertaken to raise fraud awareness throughout the Council. The Council produces a Standards Newsletter to promote the ethical governance agenda to a wider audience.

During 2008/09, members expenses were not being independently authorised but were paid as claimed. However, at the Audit Committee in June 2009, officers confirmed that authorisation procedures had been put in place for members expenses.

Although policies and procedures for ethical conduct are sound but there is evidence of weaknesses in staff and member understanding of them. In Autumn 2008 the Audit Commission's ethical governance survey revealed a lack of knowledge among respondees on some key ethical governance issues, including the work of the Standards Committee and the whistleblowing policy. It was clear the Council had a considerable amount of work to do to raise awareness and knowledge of these issues. Service managers have had a briefing from the Head of Audit and have been given responsibility for making sure that their staff are aware of the policies and procedures on ethical governance and fraud and corruption.

Applies the principles and values of good governance to its partnership working

There is a Carlisle Partnership which includes a wide range of stakeholders which works to identify and address high priority cross-cutting issues. A business case and risk assessment is prepared before entering into any partnership arrangement. All significant partnerships are subject to annual review to ensure that objectives and governance arrangements remain appropriate. One issue that our work has identified on the Cumbria Strategic Partnerships (CSP) was that there was not a common understanding of partnership governance arrangements across the CSP and that the CSP Governance Framework had a low profile and was not well understood by partner organisations.

Theme 2 - governing the business - score	2
KLOE 2.4 Does the organisation manage its risks and maintain a sound system of internal control?	**2**

Key findings and conclusions
Has effective risk management arrangements which covers partnership working The Council has effective arrangements for risk management. The risk management policy is succinct and clear, identifying types of risk and clearly setting out responsibilities of officers and members. There are corporate, operational, individual and project risk registers which are reviewed and updated quarterly. Risk management is led by a senior corporate officer group. Quarterly reports are taken to Corporate Resources Overview and Scrutiny Committee; reports are clear, converting to Covalent style reporting towards the end of 2008/09 when risk management was integrated into the Covalent performance management system. The Council can demonstrate positive outcomes from its risk management arrangements including enhancing flood defences and learning from the Sheepmount sports project. The Audit Committee ensured that risk management was extended to cover partnerships in 2008/09 but the picture is mixed with specific work on the Cumbria Strategic Partnerships (CSP) identifying that partnership risk management across CSP was at too high a level with limited input from partner organisations and no linkage between the high level assessments and partner organisations' risk assessments. **Has a clear strategy and effective arrangements, including allocation of appropriate resources, to manage the risk of fraud and corruption** Counter fraud and corruption arrangements are in place and the whistleblowing policy is notified to staff and contractors. The Counter Fraud and Corruption Policy is supported by an action plan which is designed to improve awareness, prevention and action against fraud. The Council's has responded positively to the National Fraud Initiative (NFI) and has taken a pro-active approach in reviewing matches. Although policies and procedures for the prevention of fraud and corruption are sound there is evidence of some weaknesses in staff and member understanding of them. In Autumn 2008 the Audit Commission's Changing Organisational Cultures (fraud awareness) survey reported above average results for the Council although recommendations included awareness raising and training on almost every aspect of the survey. At the same time the Audit Commission's ethical governance survey of members and officers revealed a lack of knowledge among respondees on the whistleblowing policy. It was clear the Council had a considerable amount of work to do to raise awareness and knowledge of these issues.

Key findings and conclusions

Has a sound system of internal control including internal audit

The Audit Committee is well established and actively involved in challenging officers on financial, governance and internal control issues. Membership of the Committee is balanced and the Chairman regularly takes issues to the Executive for its consideration. The Audit Committee takes a regular and thorough look at risk management and corporate governance arrangements. The Council's Internal Audit function is compliant with the CIPFA code and they undertake work on the key systems each year and provide assurance on internal control. Standing orders, standing financial instructions, scheme of delegation and procedure notes for key financial systems are all in place and are reviewed and updated as necessary. Arrangements for compliance with relevant laws, regulations, internal policies and procedures and to check that expenditure is lawful are also in place, with appropriate statutory officers. The Council has a comprehensive and well set out business continuity plan which is regularly reviewed and updated, with clear version control and recording of amendments. The Audit Committee has been active in ensuring that an IT security policy was implemented but there are still weaknesses in the general IT control environment and these are being addressed by implementing the action plan from an internal audit report in 2008/09 and using the Shared Services ICT strategy as the framework for improvements to be put in place.

Table 5   Theme 3 - managing resources

Theme 3 - managing resources - score	**2**
KLOE 3.1 Is the organisation making effective use of natural resources?	**Not applicable to the Council in 2008/09**
KLOE 3.2 Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?	**Not applicable to the Council in 2008/09**
KLOE 3.3 Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?	**2**
Key findings and conclusions	
Has a productive and skilled workforce The Council has a comprehensive and well ordered approach to training and development. There is a strong emphasis on, and commitment to, the raising of skill and qualification levels, with a good focus on basic skills and on developing all employees to at least level 2 NVQ. Member training arrangements is thorough and well thought out with the training framework linking member development to the needs of the community. Addressing sickness absence was reprioritised in year and appropriate action taken to tackle a sharp increase in absence during 2008. The number of days lost to accidents has fallen year since 2004/05 although unclear as to what the action the Council has taken to achieve the reduction. **Knows in the medium to longer term what staff it will need, with what skills, and has plans to achieve this** The Council's Workforce Development Plan 2006 to 2010, approved in April 2007, is a comprehensive document which adopts a broad approach to workforce development, linking this to the council of the future. It contains analysis of key challenges, current position and an action plan. There is a high level gap analysis and references to ensuring that the Council has the staff and skills it needs in the future. However, a corporate skills audit has not yet been undertaken and the plan does not make reference to specific future needs or specific groups of staff. There is evidence of some workforce planning in response to skills shortages with the introduction of a 'grow your own' approach in some services such as benefits, accountancy and environmental health. The Council's approach to shared services and trying to progress this is, in part, a recognition and response to staffing issues.	

Key findings and conclusions

Engages and supports staff in organisational change

The Council has a range of ways of engaging with staff and regularly surveys them. However, from the 2008 staff survey almost a quarter of staff believed that the Council was doing nothing to help them cope with change agenda although communications are now recognised to be better. The Investors in People assessment 2008 produced similar results. The Council has responded during 2008/09 to staff concerns through the 'Future Focus' workshops, giving positive indications for the future management of change. The transformation programme is in its early stages so for 2008/09 we are unable to assess how this has been managed as far as staff are concerned.

Has policies which support diversity and good people management

The Council is at Equality Standard level 2 and is working towards level 3 during 2009/10 by implementing its detailed action plan. Although there are good intentions to move towards a single equality scheme and the new national equality framework these developments are for the future. Efforts are being made to secure a more representative workforce and to respond to the needs of disabled staff. There is good HR support to service managers and evidence of range of good HR management policies. Job evaluation and single status has been a lengthy process and is still not implemented.

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R1 Review the profiling and resourcing of the annual capital programme to ensure that the capital programme that is approved can be delivered each year.	3	Assistant Director (Resources)	Yes	Currently under review. Enhanced procedures to be in place by January 2009.	31 March 2010
10	R2 Improve the in year reporting of the capital programming so that it is clearly linked to the year end position. Provides greater clarity about the reasons for variances (whether they are slippages or poor profiling of the budget) and clearly identify the extent to which projects brought forward from the previous year have been delivered in the new year.	3	Assistant Director (Resources)	Yes	As above	31 March 2010
11	R3 Ensure that the service review process considers all service delivery options for all services as part of the rolling programme.	3	Strategic Director (Resources & Governance)	Yes	Approach to commissioning is being examined. Service delivery options and alternative models will be explored as part of the transformation programme.	31 March 2010
11	R4 Ensure that the agreed action plan from Internal Audit's report 'Audit of ICT Security Policy and Annexes' is implemented in the agreed timescale.	3	Assistant Director (Resources)	Yes	Key concerns related to IT controls and procedures. Good progress has been made on these recommendations.	31 March 2010

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
11	R5 Ensure that risk management and governance arrangements weaknesses in partnerships are addressed.	3	Efficiencies Team	Yes	Policy and procedures are being reviewed for adequacy. Annual reviews of existing significant partnerships will focus on effective risk management and governance arrangements.	31 March 2010
11	R6 Assess whether staff and Member understanding of ethical governance and fraud awareness issues has improved.	2	Efficiencies Team	Yes	Assessment to be undertaken	31 March 2010
12	R7 Update the Council's Workforce Development Plan so that it is more specific in terms of future needs, timing and its impact on specific groups of staff. It should be based on a fuller understanding of current skills and the impact of proposed shared services.	3	Strategic Director (Resources & Governance)	Yes	Detailed WDP will emerge as Authority progresses through the transformation programme.	To be determined
12	R8 Assess how the implementation of the transformation programme has been managed from the staff's perspective.	2	Strategic Director (Resources & Governance)	Yes	Assessment to be undertaken	To be determined

The Audit Commission

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