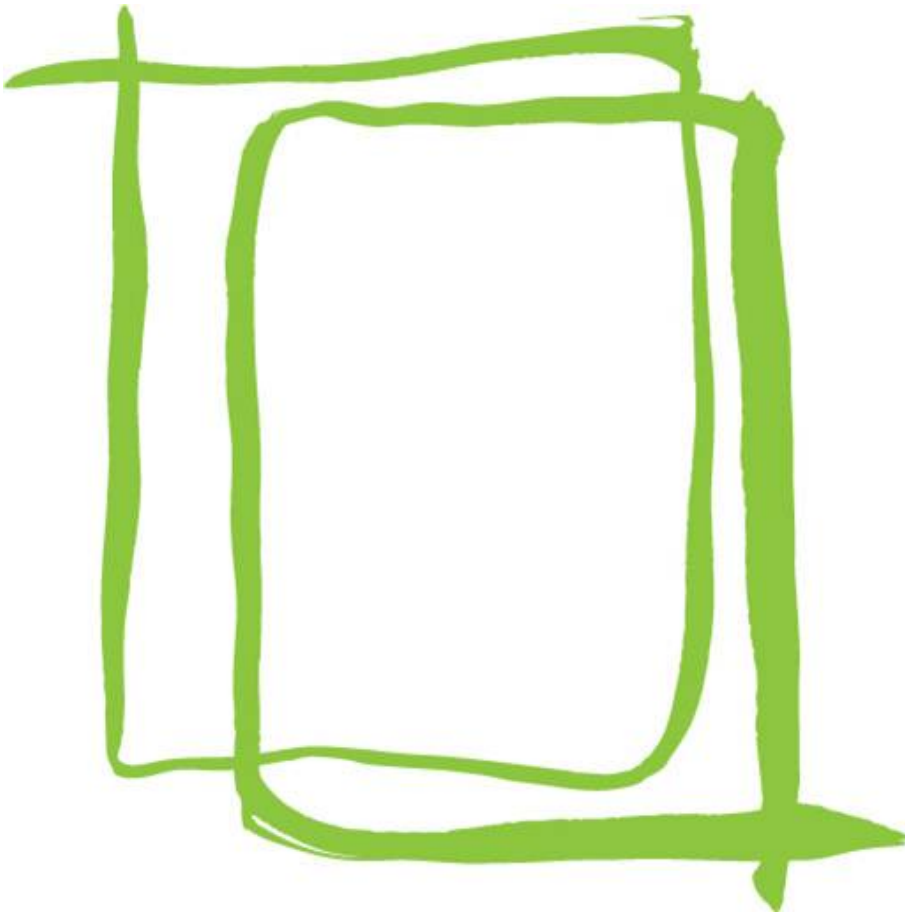


# Use of Resources

Stockton-on-Tees Borough Council

Audit 2008/09

November 2009



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## **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.
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# Summary

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

- 1** The Council performance is excellent at managing finances, with a strong value for money culture, excellent financial management practice and timely and reliable external financial reporting. The Council can demonstrate efficiencies and improved performance as a result of investment into services. There are high and sustained levels of satisfaction with services.
- 2** The Council performance is excellent at governing the business. There is a systematic approach to commissioning and procurement with high levels of partnership working and joint commissioning resulting in savings. Relevant and accurate information is used to support decision making. There are sound internal control arrangements and a high standard of governance.
- 3** The Council performs well at managing resources. Plans are in place to minimise use of natural resources with extensive work on carbon management. There is limited evidence to date of improved outcomes other than those related to carbon reduction. Physical assets are proactively managed and the Council works with partners to maximise integrated service provision and regeneration opportunities.
- 4** Our detailed findings are shown in Appendix 1.

# Introduction

- 5 This report sets out our conclusions on how well Stockton on Tees Borough Council (the Council) is managing and using its resources to deliver value for money and better and sustainable outcomes for local people and gives scored theme judgements.
- 6 In forming our scored theme judgements, we 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.

## Use of resources framework

- 7 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.
- 8 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.
- 9 The Commission specifies in its [annual work programme and fees document](#), which KLOE are assessed over the coming year.
- 10 Judgements have been made for each KLOE using the Commission's current four point scale from 1 to 4, with 4 being the highest, (Table 1). Level 1 represents a failure to meet the minimum requirements at level 2.

**Table 1**      **Levels of performance**

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

Source: [use of resources framework: overall approach and KLOE document](#)

# Use of resources judgements

## Scored judgements

11 The Council's use of resources theme scores are shown in Table 2, with the following sections providing a summary of our assessment and recommendations for improvement. Appendix 1 provides more detail.

**Table 2 Use of resources scores at theme and KLOE level**

Use of resources theme	Scored judgement	
<b>Managing finances</b>		
How effectively does the organisation manage its finances to deliver value for money?		
1.1 Financial planning	4	Level 4
1.2 Understanding costs	4	
1.3 Financial reporting	3	
<b>Governing the business</b>		
How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people?		
2.1 Commissioning and procurement	4	Level 4
2.2 Data quality	4	
2.3 Good governance	3	
2.4 Risk management and internal control	3	
<b>Managing resources</b>		
How well does the organisation manage its natural resources, physical assets and people to meet current and future needs and deliver value for money?		
3.1	2	Level 3
3.2	4	

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## Managing finances

- 12** The Council has a strong value for money culture which has helped it in making service improvements at a time when it is faced with limited resources and increasing demand. It has retained a customer focus and made progress on priorities by setting a clear direction, supported by clear plans and aligned to financial planning and budgets. The value for money culture is embedded throughout the Council and included as a core competency in the competency framework. The financial framework has been successful in driving efficiency and supporting robust challenge, and there is a clear link between spend and performance.
- 13** Excellent financial management practice, including the efficiency agenda, is embedded within the overall culture of the organisation resulting in an integrated approach to managing finance, resources and risk. Outcomes from this approach demonstrate high and sustained levels of satisfaction with services and performance clearly linked to priorities identified by the local community and within key strategies and plans. Satisfaction with the Council is high and increasing, in contrast to the national trend.
- 14** External financial reporting is timely and reliable but there was an issue identified about Council house valuations for 2008/09. The content of the Council Plan takes account of the needs of a range of users and includes information on environmental impact and diversity issues.

Recommendation
<b>R1</b> Liaise more closely with the valuers to ensure that information relevant to preparing the financial statements is readily and promptly available.

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## Governing the business

- 15** The Council has a corporate approach to commissioning and procurement which is clearly documented, systematic and established. There is a high level of partnership working and joint commissioning and evidence that this is resulting in efficiencies and changes to service provision. Examples include joint appointments and commissioning arrangements with the PCT, procurement via direct payment care packages and savings on negotiated contracts using e-procurement.
- 16** The Council produces relevant and accurate information to support decisions as part of the overall framework of risk, performance and information management. The Council has recently been identified as best practice in the Audit Commission report 'Is There Something I Should Know?'
- 17** There are well established and embedded arrangements in place for internal control.
- 18** High standards of governance have resulted in the Council being able to operate unusual political arrangements successfully.

## Use of resources judgements

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### Managing resources

- 19** The Council has plans in place to minimise its use of natural resources and is working with partners. The Council has quantified key carbon management targets and has a carbon management plan in place to achieve the targets. The carbon management plan is considered to be an exemplar by the Carbon Trust. The approach taken to carbon management is now being applied across all areas of usage but evidence of improved outcomes to date is limited.
- 20** The Council is proactively managing its physical assets and working with partners to maximise integrated service provision. The Workwise project is resulting in more flexible working and reductions in office space and is an integrated approach to asset management, efficiency and carbon management.

#### Recommendation

- R2** Expand the approach taken to assessing and improving carbon management to all areas of natural resources to differentiate clearly between plans and outcomes and ensure outcomes are achieved in a systematic way.

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### Detailed findings

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

# Use of resources 2009/10

**22** 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 about the audit fee for 2009/10, I identified a number of significant risks in relation to my value for money conclusion. For each risk, I consider the arrangements put in place by the Council to mitigate the risk and plan my work accordingly.

**Table 3 Initial risk assessment**

Risk	Planned work	Timing of work
The Council has a history of achieving high scores in all areas of our use of resources assessment and has aspirations to maintain scores across the expanded assessment now in place.	We will carry out early work on the new area of assessment – workforce planning and continue to work with the Council to identify good practice across all themes.	April 2009 to March 2010
Ongoing impact of the economic climate.	We will review the: <ul style="list-style-type: none"> <li>• Council's ongoing monitoring of the impact of economic conditions; and</li> <li>• development and application of the efficiency, improvement and transformation programme, including IT developments and Workwise.</li> </ul>	April 2009 to March 2010
High level of planned capital schemes and possible transfer of housing stock.	We will continue to monitor: <ul style="list-style-type: none"> <li>• capital project monitoring, including BSF; and</li> <li>• progress on the stock options appraisal.</li> </ul>	April 2009 to March 2010



## Use of resources 2009/10

Risk	Planned work	Timing of work
Ongoing involvement in partnership working including Xentrall, LAA and MAA	We will: <ul style="list-style-type: none"><li data-bbox="632 389 1118 456">• follow up our 2008/09 review of partnership working; and</li><li data-bbox="632 479 1134 680">• continue to monitor developments with Tees Valley Unlimited, including the proposal to be a national pilot with alternative governance arrangements.</li></ul>	April 2009 to March 2010

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- 23** An additional KLOE 3.3 - Workforce planning will apply to single tier and county councils for 2009/10. However, KLOE 3.1 - Natural resources will not be assessed. I have also considered any additional risks arising from my 2008/09 value for money conclusion.
- 24** I have not identified any additional risks in relation to my 2009/10 value for money conclusion.

# 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 4** Theme 1 - managing finances

<b>Theme 1 score</b>	<b>4</b>
<b>KLOE 1.1 (financial planning) score</b>	<b>4</b>
<b>Key findings and conclusions</b>	
<p>The Council’s clear overall vision is articulated well in integrated financial, strategic and service planning, with clear links from priorities in the Council plan to budget allocations in the Medium Term Financial Plan. All services are good or excellent with an ongoing track record of investment into priority services resulting in continuing improvements. For example:</p> <ul style="list-style-type: none"> <li>• investment in major environmental and economic regeneration projects delivering visible physical improvements;</li> <li>• replacing old council housing estates with new mixed housing;</li> <li>• additional funding has led to ongoing improvements in educational attainment;</li> <li>• year on year investments in museums and leisure have increased usage;</li> <li>• £2.9m investment into treating effects of substance misuse and review of YOS has resulted in greater working with police and subsequent improvements in getting young offenders into education/training/employment;</li> <li>• overall, satisfaction with Council services high and increasing, contrary to national trends.</li> </ul> <p>External stakeholders and local communities are involved in the financial planning process through the Viewpoint residents’ panel and Stockton Renaissance. In addition, a series of focus groups were held across the Borough at various times and in various locations to discuss residents’ priorities in detail. Specific events have been held for young people to take into account their needs. The Council has specific ward based environmental budgets in place for a number of years to give local control for specific improvements. There is also a communities fund and many examples of locally led projects.</p>	

## Appendix 1 – Use of resources key findings and conclusions

### Key findings and conclusions

Officers and Members are extensively involved in the financial planning process through the extended management team, 'Setting the Standard' events, seminars, presentations and workshops.

Financial standing is strong. The Council remains consistently within budgets, with a risk based policy for reserves and balances. The MTFP is updated on an ongoing basis and reported to Cabinet on a quarterly basis. The effects of the current economic climate have been assessed and reported to members, with updates prepared on a monthly basis, to manage risks effectively. The Council's ongoing review of services via its efficiency, improvement and transformation programme, ensures all services are reviewed within a three year cycle. There are examples of improved outcomes and value for money as a result of service reviews, including children's services and services for older people. There have been some particularly contentious decisions taken around care home closures to release efficiency savings for reinvestment into services for older people.

Treasury management arrangements are well established and include appropriate controls over investments and borrowing.

Strong partnership working includes the LSP, Xentrall, voluntary services, Tees Active, Tristar, area partnerships, PCT joint commissioning and police (PCSOs). The Council is leading on a range of regional and sub regional issues including 14-19 reforms, procurement, asset management, Growthpoint, Homebuy and HMLF funding.

<b>KLOE 1.2 (understanding costs and achieving efficiencies) score</b>	<b>4</b>
<b>Key findings and conclusions</b>	
<p>The Council has a history of providing high quality services at relatively low cost. Evidence over a number of years of a systematic approach to cost and service analysis and benchmarking, using AC profiles and CIPFA financial information to inform understanding of costs.</p> <p>Challenging efficiency targets set and achieved over a number of years (£6.6m against £4m target for 2008/09) with continuing improvement in services. A flexible approach to medium term financial planning alongside a customer focused Organisational Development Plan has produced an organisational culture where it is normal to challenge for further efficiencies at every opportunity ie managed surplus/managed deficit approach means that services benefit from their own efficiency savings as well as contributing to the Council financial position.</p> <p>Responding to the current economic climate, policy decisions are being formally challenged through the Efficiency, Improvement and Transformation programme to ensure that members and staff continue to consider the financial affects of providing a high level of service.</p> <p>In areas where there are comparatively high costs, the Council understands local factors and is able to demonstrate why, linking to priorities for action:</p> <ul style="list-style-type: none"> <li>• high overall comparative costs of regeneration is a response to priorities and local concerns, with significant external funding and a large number of high profile regeneration projects leading to improved outcomes both in the visible appearance of the Borough and in reducing the gap between the least and most deprived areas; and</li> <li>• comparatively high transport costs, but numbers using public transport are increasing, against national trend of falling numbers. Additional resources into youth bus provision has increased attendance at school. Enhanced concessionary schemes to disabled and blind users as well as all over 60's plus pathfinder scheme for 16-19 year olds plus a miBus scheme operating in rural areas have all resulted in increased usage. Improvements to rail infrastructure have resulted in a 38% growth in numbers of people using the Borough's 6 railway stations.</li> </ul> <p>Investment decisions are based on whole life costings and major decisions are subject to environmental impact assessments. New investments, major service developments and capital projects are assessed for importance with level 1 strategic projects being formally monitored by corporate management team quarterly eg BSF, integrated adult services.</p> <p>Preparations for future and sustained financial management within the current economic climate undertaken by the Council resulted in the formulation of the Efficiency, Improvement and Transformation programme, focussing on high cost services. Recession risks flagged up with members and staff at an early stage, resulting in an immediate response supporting sustained financial stability.</p> <p>There is a high level of partnership working.</p>	

## Appendix 1 – Use of resources key findings and conclusions

<b>KLOE 1.3 (financial reporting) score</b>	<b>3</b>
<b>Key findings and conclusions</b>	
<p>Financial statements are provided on a CD with hyperlinks to supporting ledger information and detailed working papers. The working papers are comprehensive and accurate. Relatively few errors are identified, though there was a significant issue about the impairment of council house values which had a material effect on the balance sheet asset values. The process is managed by the Council, with regular contact to ensure queries are promptly answered.</p> <p>Budget monitoring and forecasting information is accurate and up to date. Financial information is available on line to budget holders and the system allows flexible reporting based on manager needs. There is a traffic light system for performance indicators and a red light system for volatile budgets. Integrated finance and performance information is reported through heads of service and corporate directors and discussed at CMT improvement clinics. Information is reported quarterly to Cabinet and Executive Scrutiny.</p> <p>The Council can demonstrate that it has managed volatility in budgets, for example job evaluation, increasing demand in social care and successfully managed the transition from working neighbourhoods fund to communities fund, taking the opportunity to target resources at areas of most need and working collaboratively with the third sector eg Stockton employability consortium.</p> <p>The Council is in the second year of a three year review of all major partnerships looking at monitoring of funding, objectives and outcomes from partnerships. Outcomes include individual partnership action plans and an overall common issues report sent to all partnerships. Significant partnerships are subject to ongoing monitoring by corporate management team eg Children’s Trust, LSP.</p> <p>External reporting is focused around the Council Plan with additional detail provided in an Annex. Information reported includes past activities, targets, future plans, financial information, carbon management and diversity.</p> <p>The Council has consulted widely through budget setting meetings and the Viewpoint Panel about the content of external reporting.</p>	

**Table 5 Theme 2 - governing the business**

<b>Theme 2 score</b>	<b>4</b>
<b>KLOE 2.1 (commissioning and procurement) score</b>	<b>4</b>
<b>Key findings and conclusions</b>	
<p>The Council's commissioning and procurement approach is systematic across the Council and is documented in the sustainable community strategy, supported by various other plans and strategies including the Council Plan, Single Equality Scheme, Children's Plan, Adult Strategy, Supporting People Strategy and Drugs Strategy.</p> <p>The Sustainable Community Strategy sets out the targets to be achieved through effective partnership working between public and private sector organisations, voluntary and community sector groups, local business and residents. The keynote theme for the strategy is to promote achievement and tackle disadvantage, and focuses on six areas: environment, community safety, health, regeneration, education and life long learning and arts and culture.</p> <p>The joint strategic needs assessment has been produced jointly with the PCT based on consultation and is being taken forward by joint commissioning groups. There are a number of joint appointments with the PCT in adult and children and young peoples' services and joint commissioning with the PCT which will ensure that the needs assessment drives commissioning decisions.</p> <p>Over the past three years, Stockton had the lead role in development of the North East Regional Commissioning Unit (NERCU) which received national recognition for its work to improve the cost effective matching of services to meet specific children's needs. This work is now being taken forward by regional and sub-regional groups of local Children's Strategic Commissioners.</p> <p>There is also joint work with police and probation and other local authorities across the Tees Valley eg PCSOs and joint asset use.</p> <p>The Council has a procurement strategy which has recently been updated and is supported by an action plan that is monitored through the Council's performance management system. The LSP established a community cohesion task group with representation from across all sectors of the partnership and there have been various consultation events on specific themes such as drug action, resulting in improved communication and high public satisfaction levels.</p> <p>Customer service is improving through developments in access to services including the Customer First call centre and customer access points across the borough. Satisfaction with Council services is high and increasing, contrary to national trends.</p>	

## Appendix 1 – Use of resources key findings and conclusions

### Key findings and conclusions

The Council understands the supply market and has moved to a category management approach. This has been particularly successful for stationery, utilities and care services. Smarter procurement has resulted in other efficiency savings in 2008/09 including savings on negotiated contracts through e-procurement and procurement of care via direct payment care packages. The use of a recruitment portal instead of more traditional vacancy advertising has also resulted in savings. The Council has entered into an innovative public, public partnership (Xentrall) with Darlington Council for the provision of transactional support services with the key aim of achieving efficiencies for both Councils. This partnership is the first of its kind nationally. There has also been joint procurement of risk management and insurance using a consortia purchasing model to deliver efficiencies without compromising services.

The current review of voluntary sector core funding is being carried out jointly with representatives from the sector itself.

<b>KLOE 2.2 (data quality and use of information) score</b>	<b>4</b>
<b>Key findings and conclusions</b>	
<p>The 2008 corporate assessment judged performance management to be excellent and the Council has recently been included in the national Audit Commission publication 'Is There Something I Should Know?'</p> <p>The Council has arrangements in place to support data quality and has made a clear commitment to 'right first time' data. The data quality strategy details standards required, roles and responsibilities, data quality risks and expected outcomes. Data quality work has confirmed strong arrangements in place. The focus on the quality of information management is continuing, with the extension of ISO 27001 to include Darlington Council (via Xentrall). The Council is still only one of 10 in the country to achieve this.</p> <p>There are monitoring processes in place to ensure that service group management teams, CMT improvement clinics, Cabinet and Scrutiny receive reports on performance and compliance with controls. There are regular DQ quality meetings between corporate centre and departmental performance leads and departmental teams undertake quality checks on specific PIs to look at accountability, availability, accuracy and systems.</p> <p>There is a shared information and intelligence framework. Partners are asked to supply a certificate saying data has been checked for reliability and accuracy and identifying the data standards they currently work to. Information collected as part of this work across the partnerships includes; level at which data is collected, frequency of collection, IT systems identification and responsible officer. It also identifies key links between Vital Signs indicators and NIs. Current information sharing protocols have been identified to facilitate the sharing of information to inform decision-making, planning, commissioning and performance reporting.</p> <p>The programme and framework for partnership health checks includes elements linked to data quality and sharing. New data quality arrangements in place in procurement have resulted in improved intelligence leading to changes in contracts and contract negotiations resulting in efficiency savings and also data quality relating to business mileage has provided clear comparator information and facilitated establishment of baselines. Work on data quality systems assessments between the Council and the Police has improved the quality and timeliness of data with the outcome that the Council receive high quality data direct from the Police on a monthly basis facilitating the targeting of hot spots and improved responsiveness to community issues.</p> <p>As part of the quarterly performance monitoring process each PI within the corporate basket is assessed to show current performance against target. Traffic light reporting highlights whether performance is on target or not. Decisions are then taken about action required. The Council also holds quarterly performance clinics where CMT review specific performance topics and seek solutions to performance issues. For example adult social care performance clinics included challenging data and practice issues linked to assessment waiting times, outcome, improved performance: children's services accuracy, recording and managing core assessment. Data quality and cleansing, trend analysis and review of practice resulting in improved performance within a context of a 50 per cent increase in demand for services.</p> <p>Information security arrangements are in place which are reviewed and updated. Internal Audit undertake regular systems audits. Business continuity, data recovery and backup arrangements are in place both corporately and departmentally.</p> <p>There are examples of improved outcomes and value for money as a result of service reviews as a result of performance management, including regeneration, supporting people, planning, children's services and services for older people. There have been some particularly contentious decisions taken around care home closures to release efficiency savings for reinvestment into services for older people.</p>	



## Appendix 1 – Use of resources key findings and conclusions

<b>KLOE 2.3 (good governance) score</b>	<b>3</b>
<b>Key findings and conclusions</b>	
<p>The principles of good governance are set out in the Council's constitution. There is also a guide to members' roles which the Council has been commissioned to update and refresh in conjunction with the NE Improvement and Efficiency Partnership.</p> <p>Member and senior officer roles are reviewed on an ongoing basis and some roles have recently been updated to ensure members and officers roles remain aligned. Arrangements are in place to ensure member and officer expenses are appropriately controlled.</p> <p>There are strong working relationships between members and officers, CMT has joint away days with Cabinet and individual CMT officers meet regularly with their relevant Cabinet members. Monthly meetings are held with political group leaders to discuss forward plans and emerging issues. A series of regular policy briefing sessions for all members has been established, is well supported and covers not only Council policy and developments but also those of partners.</p> <p>The fact that members of all parties put the Council's interests first is demonstrated by the successful operation of a power sharing arrangements at Cabinet made up of Labour and Conservative councillors. Further supported through a challenging but effective Executive Scrutiny.</p> <p>All new members receive induction training and there are opportunities for further ongoing training under the members learning and development strategy. This involves an assessment of their individual training needs, personal support planning, mentoring and production of individual development plans. This process is designed to promote appropriate behaviour, ensure members are well informed and able to provide constructive challenge.</p> <p>The Council's vision is clearly set out in the Council plan and there are established procedures for consulting with local communities. The Council has strong political and managerial leadership and has attracted high levels of approval from residents.</p> <p>There are codes of conduct and registers of interests, gifts and hospitality in place for members and staff. The staff code is supported by the handbook of personnel policies and procedures. SOs, financial regulations, procurement procedures, protocol on use of IT, whistle blowing procedure and complaints procedure are all in place and publicly available. No whistle blowing cases in 2008/09.</p> <p>Ethical issues are reported to the Standards Committee and publicised through the Council newsletter, offices, libraries, website and staff newsletter Keeping You in Touch. The work of the Standards Committee has been publicised to partners and community organisations. All meeting agendas, reports and minutes are publicly available through e-genda. The new complaints procedure for alleged member misconduct has been widely publicised and is being used by the public though the number of complaints remains low.</p> <p>Standards and probity is the subject of regular discussion between the Leader, Cabinet and senior officers and with political group leaders and other members.</p> <p>The Council is in the second year of a three year review of all major partnerships which includes work on partnership governance arrangements. Outcomes to date include individual partnership action plans and an overall common issues report sent to all partnerships.</p> <p>All of the thematic area partnerships and the LSP Board have terms of reference setting out their role, legal status and accountabilities. There is a Compact between the LSP and the voluntary and community sector which includes agreement on principles of public life and consultation timescales. All of the public sector agencies, VCS infrastructure groups and Youth Forum are signed up.</p>	

<b>KLOE 2.4 (risk management and internal control) score</b>	<b>3</b>
<b>Key findings and conclusions</b>	
<p>The Council has well established and effective risk management arrangements in place including specific risk assessment of key partnerships. This addresses operational and organisational risks and is strengthened through the self assessment process. The LAA and sustainable community strategy targets and significant projects have risk management arrangements in place. A corporate risk register is in place with links to performance improvement plans and service delivery plans. Specific risks with financial impact are linked to the MTFP and the reserves and balance MTFP. Risks are linked to business unit plans within services and responsibility for each risk is assigned to individual officers. Risk identification forms are completed within services and consolidated into service risk registers. The corporate risk register is consolidated from service registers to include all major high risks. The corporate risk register is reviewed by the risk management group who provide comment and recommendations to the corporate governance group and CMT. The corporate risk register is reported to the Audit Committee quarterly as well as an annual risk management report. Risk updates are included in all reports to members including Cabinet and Executive Scrutiny. A corporate risk management annual report is produced and presented to the Audit Committee. Risk management training is given as part of induction training and there is a programme of ongoing training for relevant staff with courses every three months. Audit Committee members receive risk management training and the risk manager has produced guidance on the identification and assessment of strategic risk.</p> <p>There are examples of outcomes through good risk management arrangements: implementation of job evaluation, Xentrall, Northshore footbridge, Thornaby Town Centre major redevelopment, integrated service areas and Workwise.</p> <p>The Council ethos is that risk is not just a threat but an opportunity therefore they are risk aware not risk averse.</p> <p>The Council has well established arrangements in place to manage the risk of fraud and corruption, including strategies, protocols, manuals and measures to communicate issues to staff and the wider public. All cases are investigated by appropriate, qualified Internal Audit staff. The Council has compared it's arrangements with CIPFA guidance and is working in liaison with Teesside University to ensure counter fraud measures remain best practice.</p> <p>The Council has a sound, effective system of internal control. The Audit Committee is well established with comprehensive terms of reference with a mixture of experienced and newer members who are objective, independent and knowledgeable. The Audit Committee has responsibility for risk management, internal control and financial reporting. The Chair of the Audit Committee prepares an annual report on the Committee's work for presentation to Cabinet.</p>	

## Appendix 1 – Use of resources key findings and conclusions

**Table 6 Theme 3 - managing resources**

<b>Theme 3 score</b>	<b>3</b>
<b>KLOE 3.1 (use of natural resources)</b>	<b>2</b>
<b>Key findings and conclusions</b>	
<p>The Council has developed strategic plans supported by detailed implementation strategies and is making progress in delivering against the plans. The total carbon footprint baseline was assessed and published in 2005/06 and used to target areas to make progress. Ambitious targets have been set to reduce carbon emissions by 25 per cent from the 2005/06 baseline by 2013 and progress is being monitored in the interim. The Council's carbon management programme was developed in 2007/08 and details initiatives to improve use of natural resources. Initiatives underway include: street lighting dimming and photocell replacement programme; insulation of phase two of operational buildings; air tightness improvements (draft proofing) to poor performing operational buildings; installation of voltage regulator in Queensway house; developed business case for the selective introduction of electric powered vehicles within the fleet; continuing programme of replacing bottled water dispensers; carbon foot printing of procurement; evaluation of liquid fuel tenders for the supply of bio-diesel; quarterly business mileage reports and progress against agreed target to reduce mileage by 5 per cent by 2011 as per travel plan; an IT switch off programme. Energy ratings were calculated for each council building, including schools, admin buildings, social care, libraries, museums and leisure facilities including energy and water consumption. An A-G rating was used to identify priorities for intervention. Overall outcomes include a 7.7 per cent reduction in overall carbon emissions from 2006/07 to 2008/09; the Carbon Trust using the carbon management programme as an exemplar plan; the Council being accredited as meeting the Carbon Trust Standard, only 1 of 10 in the UK; and achievement of level 3 for NI 188.</p> <p>A communication plan is in place. The Council has involved the public and local businesses in initiatives to improve sustainability, including a Big Breakfast for employers, schools carbon cop schemes, newspaper and website articles. Staff have been involved and carbon champions have been identified across the council as well as campaigns like small steps-big strides and you're in Co2ntrol. A staff recycling scheme was successfully piloted and is about to be rolled out. Other plans back up the Council's approach. The procurement strategy has been updated to include sustainability issues, tenders for highway maintenance took into account recycling of materials, local purchasing, staff training. HR policies reflect the need to reduce staff mileage and a home working policy has been put in place, carbon associated with business travel has reduced by 8 per cent between 2005/06 and 2008/09. Excellent progress is being made on NI 188 Climate Change Planning- the Council is the only one in the North East to have achieved level 3 and is going for level 4 by March 2010. Work is ongoing to set baselines and targets for NI 189 flooding risk management, NI 194 level of air quality (through council operations) and NI 197 biodiversity. NI 185 - CO2 reduction from council operations has a baseline of 27000 tonnes with a 12.5 per cent reduction target. NI 186 Per capita reduction in CO2 in the council area shows a 15.7% reduction.</p> <p>The approach taken to carbon management is now being applied across all areas of usage but evidence of improved outcomes to date is limited.</p>	

<b>KLOE 3.2 (strategic asset management)</b>	<b>4</b>
<b>Key findings and conclusions</b>	
<p>The capital strategy and asset group supports an integrated, systematic and structured approach to asset management. There has been an area based review of all assets ensuring that assets influence service delivery, solutions on access to services issues, the management of key projects by area and the development of partnership strategies and flexible working to increase efficiency.</p> <p>Importantly, the review took into account current use and future planned developments for Council and other public sector bodies, to ensure co-ordinated, strategic development involving partners in this process egs include building schools for the future and town centre developments.</p> <p>The Council is working closely with the PCT to develop joint service provision including integrated service provision in Billingham and central Stockton using existing council sites for the developments. The PCT has also agreed to sponsor one of the Council’s academy schools. The Council is working with the Police who are currently reviewing their asset strategy with a view to more integrated service provision including neighbourhood policing. The Council has a history of working with community groups to transfer assets where appropriate prior to the legislative requirement to do so, for example Dovecot Street.</p> <p>The overall published asset strategy is supported by a more detailed list of strategic developments, individual asset plans, the GIS and the asset register. These have been used over the years to prioritise capital investment and develop a fully integrated approach to asset management.</p> <p>The Workwise project reviewed all office accommodation used by the Council, including a review of average space available, potential for regeneration to modern more energy efficient standards and possible surplus assets. This also took account of future developments including the move to more flexible working and the ongoing efficiency, improvement and transformation programme. The resulting implementation of the plan to downsize admin accommodation includes the move to Bayheath House and touch down zones in the Municipal Buildings, and improved, more sustainable, rationalised office accommodation.</p> <p>Having operated as an ALMO for a number of years, the Council is currently carrying out a housing stock option appraisal and is expecting to transfer the housing stock to a registered landlord. Part of the proposed transfer is looking at how the housing stock can be used to ensure future regeneration.</p> <p>The Council is currently proactively taking advantage of the economic climate working with GO NE to acquire regeneration sites for future development.</p> <p>Physical outcomes from the Council's effective management of assets include:</p> <ul style="list-style-type: none"> <li>● redeveloped Thornaby town centre;</li> <li>● mixed housing developments replacing older council estates at Mandale, Hardwick and Parkfield;</li> <li>● ongoing regeneration of The Riverside (including the Tees Barrage and the iconic bridge) extending the already successful development to continue economic regeneration;</li> <li>● extension to Splash leisure centre; and</li> <li>● investment in museums and parks.</li> </ul> <p>These investments are impacting on measured PIs eg increased net additional homes and affordable homes, reduced sickness levels, increased average earnings, increased visits to leisure centres and museums.</p>	
<b>KLOE 3.3 (workforce planning) not applicable to single tier and county councils in 2008/09</b>	<b>n/a</b>

# Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R1 Liaise more closely with the valuers to ensure that information relevant to preparing the financial statements is readily and promptly available.	3				
7	R2 Expand the approach taken to assessing and improving carbon management to all areas of natural resources to ensure outcomes are achieved in a systematic way.	3				

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# The Audit Commission

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