

Annual Governance Report

Southampton City Council

Audit 2008/09

Date

Contents

Key messages	4
Next steps	6
Financial statements	7
Use of resources	11
Appendix 1 – Independent auditor’s report to Members of Southampton City Council	13
Appendix 2 – Adjusted amendments to the accounts	16
Appendix 3 – Outstanding work that has still to be completed	18
Appendix 4 – Draft letter of representation	19
Appendix 5 – Use of resources key findings and conclusions	22
The Audit Commission	37

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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Ladies and Gentlemen

2008/09 Annual Governance Report

I am pleased to present the final version of my report on the results of my audit work for 2008/09.

A draft of the report was discussed and agreed with the Chief Executive, the Director of Resources, the Council's Solicitor and the Assistant Chief Executive (Strategy) on 7 September 2009 and has been updated since as issues have been resolved.

The report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 12);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- be aware of the audit work to be completed (Appendix 3); and
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4).

Yours faithfully

Kate Handy
District Auditor
September 2009

Key messages

This report summarises the findings from the 2008/09 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

Financial Statements	Results	Page
Unqualified audit opinion	Yes	7
Financial statements free from material error	Yes	7
Adequate internal control environment	Yes	-
Use of resources	Results	Page
Proper arrangements to secure value for money	Yes	12

Audit opinion

- 1 Subject to the completion of the work that is detailed within Appendix 3, we expect to issue an unqualified opinion on the financial statements before the 30 September 2009. The audit cannot be concluded and an audit certificate issued until I have completed my consideration of an objection to the 2007/08 financial statements and matters that have been brought to my attention by local authority electors relating to heating charges in Council properties.

Financial statements

- 2 The financial statements submitted for audit were complete. Based on the work that we have already completed there are no adjustments that will impact upon the Council's financial position at 31 March 2009.
- 3 There were however five adjustments to the disclosure notes that were above our 'non-trivial' threshold of £150,000 that have been corrected within the financial statements. These adjustments did not impact upon the financial position of the Council at 31 March 2009.
- 4 The arrangements for production of your financial statements are satisfactory. The draft financial statements were produced before the statutory deadline and were of a good standard and so were the working papers produced to support them.

Key messages

- 5 I am satisfied that the Council has addressed each of the key risks that I highlighted for the audit of your financial statements within my supplementary fee plan and that the financial statements are free from material errors or uncertainties.

Use of resources

- 6 Our work to assess the Council's arrangements to secure economy, efficiency and effectiveness in the use of its resources is complete. I am satisfied that the Council had satisfactory arrangements in place at 31 March 2009 and therefore I will issue an unqualified value for money conclusion before 30 September 2009.
- 7 The Council performed well within the Use of Resources assessment that I have completed, which is based on the Key Lines of Enquiry (KLOE) that have been determined by the Audit Commission. The national quality assurance process will be completed on 11 September 2009 and I will then inform the Council of its detailed scores.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

8 I ask the Audit Committee to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 12);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- be aware of the audit work to be completed (Appendix 3);
- take note of the VFM Conclusion and Use of Resources score; and
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

- 9 Subject to satisfactory clearance of outstanding matters in Appendix 3, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report. The draft accounts that were presented for audit were of a good standard and so were the working papers that support them.
- 10 The audit cannot be concluded and an audit certificate issued until I have completed my consideration of matters that have been brought to my attention by electors in respect of heating charges in Council properties within the 2007/08 financial statements.

Errors in the financial statements

- 11 Based on the work that we have completed there are no adjustments that have impacted upon the Council's financial position at 31 March 2009.
- 12 Officers have, however, amended the supporting notes to the financial statements in respect of the following adjustments which were above our materiality level for opinion purposes of £15m:
 - Officers identified that the carrying value of financial liabilities within note 33 to the financial statements had been understated by £33.2m, the correct value is £133.3m;
 - An estimate of the contributions expected to be paid by the Council to the Pension Fund in 2009/10 had been omitted from note 44, totalling £16.4m; and
 - the Major Repairs Allowance (MRA) has been removed from note 58:Capital Grants and Contributions Unapplied, totalling £12.2m. The Capital Expenditure and Financing statement in note 17 has also been amended to separately disclose the MRA.
- 13 Officers have also amended the disclosure notes to the financial statements for the following presentational adjustments which are below our materiality level but above our 'non-trivial' threshold, i.e.£150,000:
 - The closing General Insurance Fund balance at 31 March 2009 was misstated within note 35 to the financial statements. It has been corrected to £6.708m rather than £6.253m.

- The disclosure of the amounts that the Council has paid as the employers contribution into the Pension Fund was understated by £1 million in note 44 (a) although it was correctly stated in the table in note 44 (a). Therefore this has been corrected.
- 14** There have also been some minor amendments to the wording of some of the accounting policies and notes to the accounts. These adjustments have no impact on the financial statements and do not have a monetary value.
- 15** These presentational amendments have no effect on the Council's overall financial position. We have not identified any other errors (other than those of a trivial nature) that management has declined to correct. We will update the Audit Committee and the Standards and Governance Committee on the completion of the audit at their respective meetings in September 2009.

Letter of representation

- 16** Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 4 contains the draft letter of representation I seek to obtain from you.

Key areas of judgement and audit risk

- 17** In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in the table below.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
<p>The need to establish a provision or contingent liability in relation to:</p> <ul style="list-style-type: none"> - equal pay claims; or - where decisions to make staff redundant were taken during 2008/09. <p>Such liabilities may be material in terms of value or sensitivity.</p>	<p>I am satisfied that the Council has given sufficient consideration to both of these issues when preparing its financial statements for 2008/09.</p>
<p>The Council is in the process of addressing a number of potentially significant capital accounting transactions or adjustments, including for example:</p> <ul style="list-style-type: none"> - potential impairment of buildings that are being demolished or disposed of during 	<p>There are no issues that I need to bring to members attention in relation to capital accounts or transactions.</p>

Financial statements

Issue or risk	Finding
<p>the financial year;</p> <ul style="list-style-type: none"> - transfer of assets under construction to operational assets when completed; - completion of the registration of land and buildings with the Land Registry; - the full reconciliation of the fixed assets register to Agresso; - ensuring that significant capital commitments are reflected in the notes to the accounts. 	
<p>The early repayment of £11m debt transferred from Hampshire County Council.</p>	<p>Officers have confirmed that this transaction had not taken place during 2008/09, and is still under consideration.</p>
<p>The Council will need to determine its liability to repay government grants in respect of Guildhall Square (SEEDA) £4.6m, Southampton New Arts Complex (ACE) £5.73m and New Deal for Communities (CLG) £3.8m.</p>	<p>Officers have confirmed that the SEEDA grant will not now be received by the Council and that the Council did not receive grant funding from the Arts Council of England in 2008/09.</p> <p>The funding for the New Deal for Communities will be subject to audit within the grant claims regime for 2008/09.</p>
<p>The existence of un reconciled balances between the housing benefits system and Agresso.</p>	<p>I am satisfied that the year end reconciliation of the academy system to the main accounting system is materially correct, with immaterial reconciling adjustments in relation the Rent Rebates (£185,000) and Rent Allowances (£679,000).</p> <p>The key reason for these reconciling items is the recovery of previous overpayments to claimants from ongoing benefit payments.</p>
<p>Changes to the 2008 SORP, for example in respect 'Area based Grant' and financial instruments.</p>	<p>The requirements of the 2008 SORP have been implemented, although some adjustments have been made to the disclosures within the notes to the financial</p>

Issue or risk	Finding
	statements in order to comply with the SORP (see above).
Weaknesses in the interface between the social care income system and Agresso.	We are satisfied that we have obtained sufficient assurance over the transfer of data to the Agresso system

Formal audit powers

18 We have:

- a power to issue a public interest report. We do so where we believe this is necessary to draw a matter to your attention, or to that of the public;
- a power to apply to court for a declaration that an item in the Council's accounts is contrary to law;
- a power to issue an advisory notice. An advisory notice requires the Council to meet and consider the notice before:
 - making a decision that might give rise to unlawful expenditure; or
 - taking an unlawful course of action that would give rise to a loss; or
 - making unlawful entry in the accounts; and
- a power to seek judicial review of a decision of the Council.

19 I am currently completing my review of a formal objection to the 2007/08 accounts in relation to heating charges in Council properties. Until I have completed this review and given my decision to the elector involved I am unable conclude the audit of the 2007/08 and 2008/09 accounts. When I have completed this review I will be able to conclude whether I need to consider exercising any of my formal audit powers.

20 I have also received correspondence from another elector concerning this same issue in respect of the 2008/09 financial statements. I am currently treating this correspondence as matters that have been brought to my attention and I am in the process of responding to the elector.

Use of resources

I am required to consider how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement.

I am also required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 21** In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 22** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 23** The Council's use of resources theme scores are to be released following the completion of the national quality assurance process, which is due to be completed on 11 September 2009. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 5.

Table 2 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	3
Managing resources	3

- 24** The Council has continued to demonstrate commitment to the development of its services for the benefit of service users, while dealing with a number of challenging financial pressures and increasing service demands arising through the worsening economic outlook.
- 25** The Use of Resources scores that have been achieved by the Council are a commendable achievement, particularly when set in the context of the increased rigour that has been built into the assessment by the Audit Commission, and the demands that are made in order to satisfy the specified characteristics.

- 26** Our work has been supported by the identification of outcomes for service users from services and service developments that have been evidenced by officers to demonstrate an efficient and effective use of resources by the Council. This has also been evident in the areas that we have assessed for the first time during this review, namely the 'use of natural resources' (KLOE 3.1) and 'strategic asset management' (KLOE 3.2).
- 27** We have also concluded that the Council has good arrangements in place in respect of 'risk management and internal control' (KLOE 2.4) and that it is addressing the key areas that have previously been highlighted, for example the need for a new charging policy in relation to social care billing and a replacement social care billing module which is planned to be implemented during 2009/10.

Value for money conclusion

- 28** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against characteristics specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 5.
- 29** I intend to issue an unqualified value for money conclusion confirming that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources at 31st March 2009. Appendix 1 contains the wording of my draft report.

Appendix 1 – Independent auditor’s report to Members of Southampton City Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Southampton City Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Southampton City in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of Resources and auditor

The Director of Resources’ responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered,

whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority’s financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its

use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Southampton City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of an objection to the 2007/08 financial statements and matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements.

K. L. Handy

Officer of the Audit Commission
Collins House
Bishopstoke Road
Eastleigh
Hampshire SO50 6AD

Date: September 2009

Appendix 2 – Adjusted amendments to the accounts

The following misstatements were identified during the course of my audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

Table 3

		Income and Expenditure Account/ Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s
Disclosure of carrying values of financial liabilities in note 33:	Officers identified that the carrying value of financial liabilities had been understated by £33.2m, the correct value is £133.3m	n/a	n/a
Omission from note 44 re pensions	An estimate of the contributions expected to be paid by the Council to the Pension Fund in 2009/10 had been omitted from note 44, totalling £16.4m	n/a	n/a
Disclosures in notes 17 & 58 re Major Repairs Allowance (MRA):	The Capital Expenditure and Financing statement in note 17 has been amended to separately disclose the MRA.	n/a	n/a
	The MRA has also been removed from note 58: Capital Grants and Contributions Unapplied, totalling £12.2m.	n/a	n/a
Disclosure of closing balance of General Insurance Fund in note 35.	In note 35 the closing balance on the General Insurance Fund at 31 March 2009 should be £6.708m as disclosed in note 36, which agrees to the	n/a	n/a

Appendix 2 – Adjusted amendments to the accounts

		Income and Expenditure Account/ Balance Sheet	
	balance sheet.		
Disclosure of employer contribution for Pension Fund in Note 44 a	Note incorrect changed to show figure at £22.0 million in line with the table below in note 44 a	n/a	n/a
AP 10 Tangible fixed assets – Disclosure only.	Amended to include the Council's policy in respect of the valuation 'Heritage assets', including the Art collection.	n/a	n/a
AP 15 Financial Assets: Loans and receivables.	A typographical error in relation to borrowings has been removed from this accounting policy.	n/a	n/a
I&E A/c and additional disclosure in note 17	A cross reference has been added to the I&E account to show where an additional note gives further information to explain the impact of the impairments of fixed assets on the I&E Account.	n/a	n/a

NB: n/a = not applicable.

Appendix 3 – Outstanding work that has still to be completed

Table 4

Area to test
Investments <ul style="list-style-type: none">➤ Obtain third part confirmation of a £1.5m investment from Abbey National
Severance payments <ul style="list-style-type: none">➤ Complete the review of severance payments
Capital commitments – testing to ensure the figure is not materially misstated

[

Appendix 4 – Draft letter of representation

Kate Handy
Audit Commission
Collins House
Bishopstoke Road
Eastleigh
SO50 6AD

24 September 2009

Southampton City Council - Audit for the year ended 31 March 2009

I confirm to the best of my knowledge and belief, having made appropriate enquiries of officers and members of Southampton City Council the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2009.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which gives a true and fair view of the financial position and financial performance of the Council and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council, Cabinet and other Committee meetings, have been made available to you.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For these assumptions, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to is reasonable and is consistent with the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events require adjustment to the fair value measurement they have been actioned.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Appendix 4 – Draft letter of representation

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Post balance sheet events

Since the date of approval of the financial statements by the Standards and Governance Committee, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Signed on behalf of Southampton City Council

I confirm that this letter has been discussed and agreed by the Standards and Governance Committee on 24 September 2009.

Signed:

Signed:

Name: Mrs C Williamson

Name: Mr B Hooper

Position: Director of Resources
and Chief Financial Officer

Position: Chair of Standards &
Governance Committee

Date: 24 September 2009.

Appendix 5 – Use of resources key findings and conclusions

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

Table 5 **Managing finances**

Theme score: 3
Key findings and conclusions
<p>The Council plans its finances effectively to deliver its priorities and secure sound financial health. Integration of service and financial planning has enabled it to ensure that financial planning is driven by corporate policies and priorities. The MTFs reflects its objectives and is used to challenge resource allocation and to explore ways of delivering priorities, efficiencies and vfm. There is pro-active engagement with stakeholders. The Council has effective budgetary reporting arrangements. Financial standing is sound, and this supports the achievement of long term objectives. There is a culture of transparency about the financial position of the Council which is encouraged by the financial leadership.</p> <p>The Council has a sound understanding of its costs and performance and achieves efficiencies. It has good comparative information which has enabled delivery of £19 million efficiencies and achievement of targets. It achieves outcomes across a range of services while maintaining relatively low costs. Most higher cost services are performing well and delivering good outcomes. It is implementing innovative ways of delivering services including business re-engineering and working in partnership. Although it has improved the service and lowered costs for educational attainment, there is still work to be done to demonstrate a track record in reduced costs and improved outputs for this service.</p> <p>Financial reporting is timely, reliable and meets the needs of stakeholders. Internal financial monitoring is of a high standard. Financial information systems are accessible and provide, tailored and useful information. The quality of the 2008/09 draft accounts were good and demonstrated a strong corporate commitment and culture to producing good quality accounts and supporting documentation. External reporting is timely and provides an objective, balanced and</p>

Appendix 5 – Use of resources key findings and conclusions

understandable assessment of the Council’s achievements and financial performance in the year and includes environmental and social information.	
KLOE 1.1 (financial planning)	
Score	3
VFM criterion met	Yes
Key findings and conclusions	
<p>The integration of service and financial planning has enabled the Council to ensure that financial planning is driven by corporate policies and corporate priorities. Service and financial plans are integrated in the medium term financial strategy which reflects the Council's strategic objectives and priorities and which is used to challenge resource allocation and to explore differing ways of delivering services, efficiencies and value for money.</p> <p>The Council sets its charges for services to deliver financial and social priorities in a strategic way and pro-actively pursues different options to deliver priorities and efficiencies. For example, car parking charges are used to encourage less car drivers to drive into the city whilst also being a revenue raising source. The Council has put in place a rigorous process as part of budget setting to ensure that the Cabinet is able to give a clear direction in terms of funding and the link to priorities. For example, the Council has invested in the Strategic Services Partnership with Capita which has brought with it £26m of new investment in technology and has put in place the Transformation Process in partnership with Capita, which is aimed at driving out efficiencies in the medium term and is already delivering demonstrable efficiency savings.</p> <p>The Council pro-actively engaged with stakeholders regarding the budget and service proposals and was a key partner in the Government’s ‘Participatory Budgeting’ pilot with residents in Thornhill in the summer of 2008 in which local residents actively participated in the decision as to how to allocate £50,000 of health funds for the Thornhill area. The Council can demonstrate the involvement of local people in setting priorities with examples of how feedback is taken account of in its plans. For example, in the funding of free swimming for under 16’s and for the over 65’s. The Council undertakes surveys of local tax payers to determine people’s perceptions and priorities and also offers local taxpayers an opportunity to feedback their views on the Council’s budget proposals. The Council regularly communicates the key messages from its financial planning process to staff and stakeholders. It engages with partners to ensure that they can both input to the Council’s financial planning process, and can comment upon its service plans and priorities, as well as being able to comment on proposals which lead to investment and dis-investment in services.</p> <p>The Council has in place effective budgetary reporting arrangements which enable it to consistently maintain spending</p>	

Appendix 5 – Use of resources key findings and conclusions

within budget while maintaining good service performance with the outcome that the Council has achieved £18.6m of efficiency savings over the last three years and has improved performance in high-cost priority services of waste collection and disposal, leisure, Council tax collection and educational attainment. In addition, the overall budget has not been exceeded for at least twenty years, reflecting the Council's sound financial standing which supports the achievement of its long term objectives and priorities.

Members and CMT understand the financial environment in which the Council operates with the result that there is a culture of transparency about the Council's financial position which is actively encouraged by the financial leadership. For example, in September 2008 and before the onset of the Icelandic banking crisis, the Council took the decision to stop placing investment with banks and to only place new or maturing deposits with the Debt Management Office.

The Audit Committee considers both internal and external audit reports and significant issues are fed up to the Standards and Governance Committee. Audit recommendations are positively monitored by the Audit Committee and key recommendations are built into the Council's Corporate Improvement Plan.

KLOE 1.2 (understanding costs and achieving efficiencies)	
Score	3
VFM criterion met	Yes

Key findings and conclusions

There is a good understanding and analysis of costs across the Council. Costs are analysed and compared on a regular basis, with a demonstrable improvement between costs and outputs over time. This has enabled delivery of £19 million cost efficiencies across the Council. Costs and performance information are clearly set out in the financial and service planning process and used to make policy and service decisions. The Council has a considered approach to whole life costs for most investment decisions, with options appraised for their impact on social, environmental and economic development. All projects over £2 million undergo an options appraisal approach.

Integrated financial and performance reports are produced, with named officers responsible for reporting progress against performance. The Council has also aligned its reports automatically this year. It has merged its performance and financial data as a pilot to monitor performance against LAA targets, helping LSP stakeholders to see the links between cost and performance. The Council is now planning to adopt this level of automated reporting against its own corporate plan in the next few months.

Appendix 5 – Use of resources key findings and conclusions

Although the Council has improved the service and lowered costs, there is still further work to be done to demonstrate a consistent track record in reduced costs and improved outputs in educational attainment. The Council is developing a better understanding of the total resources at the disposal of all its significant partnerships. It has developed a partnership protocol to formalise and help with this process.

The Council has good comparative information on costs and performance. This includes whole life costing, consideration of impact on the area and use of benchmarking and comparative information. It also makes effective use of scenario analysis, with all formal decision making arrangements requiring alternative courses of action to be noted. For example, within the LSP, scenario planning was carried out for its stretch targets to ensure grants would be received, with further investigation and scrutiny into underperforming areas such as NEET levels (Not in Education, Employment or Training).

The Council achieves planned outcomes across a range of services while maintaining relatively low overall costs. Costs are low overall compared to other councils, and most of the higher cost services are performing well and delivering good outcomes for local people. Efficiency targets are stretching yet achievable, and the Council has a good track record of monitoring and meeting these targets. The Council achieved £18.6 million of efficiency savings over the last three years, exceeding its target by £3.5 million.

The Council is implementing innovative ways of delivering services including business re-engineering and working in partnership. These arrangements, as evidenced in a variety of key areas such as the transformation agenda, co-located and jointly managed teams in adult social care, PFI schools and SSP, are based on a very clear understanding of costs and risks. These have led to significant savings, increased investment and improved outcomes for local people. Use of competition and contestability is at an early stage.

KLOE 1.3 (financial reporting)

Score

3

VFM criterion met

Yes

Key findings and conclusions

Internal financial monitoring is of a high standard. Budget monitoring information is produced on a monthly basis within ten days of the month end. Quarterly reports focus on key corporate variances which enables attention to be concentrated where management action is required. The Council's financial information systems are accessible and provide for timely, tailored and useful information for both officers and members that are clear, relevant and concise. There is now much more emphasis on trend analysis and on monitoring and linking activity data to support the underlying financial position and forecast. Proactive work around forecasting has meant that a more realistic position is being forecast much sooner in the financial year which links clearly with the actual year-end position. The key outcome from the Council's financial

Appendix 5 – Use of resources key findings and conclusions

monitoring and forecasting is robust information which is used to manage the business and aid decision making. For example, the month 9 monitoring report forecast a 2008/09 underspend of £2.2m and this underspend was utilised by members in setting the 2009/10 budget enabling Council Tax to be set in line with stated policy.

On a monthly basis the overall Council financial position is discussed with the Cabinet Member for Resources who has overall responsibility for financial management. Individual Cabinet Members receive monthly profiled monitoring reports which are clear, relevant and concise, and which highlight the key financial and performance risks for their Portfolio. These reports are discussed at individual Cabinet Member briefings for each Portfolio, to allow the Cabinet member to scrutinise and challenge the reported financial position and performance information. On a quarterly basis the financial position is reported to the Cabinet, which highlight the key financial and performance risks for the Council, by Portfolio. The outcome from these processes is that Cabinet Members are fully conversant with the financial position and the financial issues for the Portfolio which they manage.

The overall quality of the draft accounts approved by the Council is good. The Council demonstrates a strong corporate commitment and culture to producing good quality accounts and supporting documentation. There is a detailed closedown plan and regular meetings are held as part of the closedown process. The final accounts receive significant scrutiny at both Standards & Governance and the Audit Committee enabling Members to improve their understanding of the financial position of the Council, to challenge officers robustly, and to receive assurances before the adoption of the accounts.

External reporting is timely and provides an objective, balanced and understandable assessment of the Council's activities, achievements and financial performance in the year and includes environmental and social information with an analysis of the Council's environmental footprint. Reporting is accessible and takes account of the needs of users. The Council's publication, 'City view', is distributed to all households in the city and includes a copy of the Council's summary financial accounts in its December edition. 'City view' also provides explicit information on how to give feedback to the Council on the accounts. The Council seeks the views of stakeholders about what information is required in its external reporting and can demonstrate how it has taken these views into consideration. For example, changes have been made to the summary accounts in 'City view' based on feedback received and a request was received to show an analysis of the funding of capital schemes and this change was made to the published summary accounts.

Appendix 5 – Use of resources key findings and conclusions

Table 6 **Governing the business**

Theme score: 3	
Key findings and conclusions	
<p>The Council commissions and procures services to deliver sustainable outcomes and vfm. Its priorities have been developed through on-going involvement with stakeholders. A range of procurement options are taken into account. It has a good track record in identifying new ways of delivering services, which has led to improved access and vfm. Relations and performance with suppliers are managed well and it is developing improvements such as a sustainability policy.</p> <p>The Council produces relevant and reliable information to support decision making and manage performance and the Council works well with partners to ensure the quality of data. It ensures data security with relevant statutory requirements with security policies in place. Performance management is integrated well with the management of resources. It has a good track record of achieving targets, making efficiency gains and identifying gaps for improvement.</p> <p>The principles and values of good governance are promoted and demonstrated by the Council. It has robust procedures and practices in place, is well-governed with an open culture and a clear focus on the needs of communities. Leadership maintains focus on delivering the organisation’s strategic priorities. The Council is regarded as an exemplar for its ethical framework and provides support and assistance to other Councils. It also ensures each of its significant partnerships has an appropriate form of governance that is formally documented.</p> <p>The Council manages its risks and maintains a sound system of internal control. Risk management is embedded in key business processes and the Council equips all members to undertake their roles and responsibilities for risk management. Effective risk management supports the Council in managing significant risks to deliver innovative and challenging projects. It has a well-publicised and comprehensive awareness of fraud and corruption policies and procedures, and a sound system of internal control which provides for transparent governance reporting.</p>	
KLOE 2.1 (commissioning and procurement)	
Score	3
VFM criterion met	Yes
Key findings and conclusions	
<p>The Council has a clear vision of expected outcomes for its community, and has strategic needs assessments in place to help shape its commissioning and procurement activities. It has an understanding of its local communities, supported by</p>	

Appendix 5 – Use of resources key findings and conclusions

its sustainable community strategy. This forms the basis of the Council's approach to commissioning. Its priorities have been developed through good on-going involvement with local people, who are clear on procurement and commissioning guidelines. For example, pilot participatory budgets of up to £50,000 have been carried out in Thornhill as part of an innovative campaign for developing local health projects designed, managed and led by residents. The Council has an up-to-date 'Joint Service Needs Assessment' (JSNA) in place, developed with its partners. A wide range of procurement options are taken into account for all projects, ensuring a thorough challenge for how services are to be delivered.

The Council actively identifies new ways of delivering services, which has led to improved experience and access for customers. The Council has a good track record in this area, eg through its transformation agenda. This includes extensive involvement with stakeholders in commissioning, partnership working, joint purchasing, use of IT, harnessing the voluntary sector and developing e-procurement methods. Relations and performance with suppliers are managed very well, and the Council has a good understanding of the market. It monitors contracts effectively and is introducing a supplier relationship management model this year to ensure consistency throughout the Council. It also has clear visibility and monitoring of off-contract spend.

The Council ensures a combination of cost and quality when taking procurement decisions. For example, the Council can demonstrate improved performance in many areas, as well as increased satisfaction. This is demonstrated in the customer service benefits including Gateway one-stop-shop that has been invested in, which now provides improved access for customers, improved call and response times and faster processing of benefits. There is a clear focus on wider social, economic and environmental objectives, with a particular focus on those in deprived areas, in line with the Council's priorities. For example, it helps develop the local supply market by spending 42 per cent of expenditure through SMEs, in excess of the government's 30 per cent target. It is also a member of Fusion 21, where the Council pays a 1 per cent levy towards social benefits such as training unemployed people.

The Council considers a number of factors when evaluating its procurement options. Its new 'alternative business models' paper ensures that a full range of options are taken into account for all projects, including outsourcing, internal provision and joint procurement. New initiatives are currently being developed during the forthcoming year. These include a sustainability policy, an access strategy, monitoring of sustainability areas such as water, and peer to peer procurement. It is also pursuing new collaborative arrangements for some major services. The Council works with its statutory partners to ensure efficiency of resources. This includes shared procurement and joint commissioning, with examples above including with Hart District Council through the SSP, work with PCT and mental health services, as well as with other local Councils for the new street lighting PFI.

Appendix 5 – Use of resources key findings and conclusions

<p>KLOE 2.2 (data quality and use of information)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The Council provides relevant and reliable data, and works well with partners to ensure data quality. There is a robust system in place to record and report data, along with relevant strategies and policies, and these are communicated to staff. The Council has recently linked its financial and performance systems to ensure data is automatically available quarterly to all relevant stakeholders, including its partners. Reporting methods are now consistent, eg, the same quarterly exception reporting criteria and timescales are used for the local strategic partnership (LSP). The Council has a good track record in producing reliable data, and works swiftly to address issues.</p> <p>The Council provides information to support the decision-making process. Arrangements are in place to minimise multiple data sources, so that manual information is limited. For example, GCSE results are input once and used to create a series of reports for managers, councillors, the LSP and the children’s trust. Information is well-presented, and includes a range of relevant data such as geographic and user profiles, descriptive comment and trend analysis. Options for the format of information has been consulted upon, resulting in staff, councillors and partners receiving fit-for-purpose information that they have had input in devising. It is now working with the LSP on an innovative project to purchase more detailed information on the city to help target areas for improvement.</p> <p>The Council ensures data security and compliance with relevant statutory requirements. Up-to-date security policies are in place, along with business continuity and emergency planning. For example, password requirements have been reviewed and updated to include the necessity for both alpha and numeric digits. Good practice standards are incorporated into procedures, and the Council’s partner responsible for data security has a contractual obligation to meet statutory standards. This is monitored through a PI, the target for which is being met. The Council has had one security incident in the last few years, which resulted in no damage, but the Council has since reviewed its security and applied the lessons learnt from the incident.</p> <p>Performance is monitored against priorities. There are targets for managing performance and finances which are aligned to strategic objectives. Committees manage the implementation of projects and strategies to ensure they are on track. For example, 78 per cent of transformation projects are currently on course. Performance management is integrated well with the management of resources, with new automated reporting and targets now having a three year period allowing for</p>	

Appendix 5 – Use of resources key findings and conclusions

easier long term planning. Budget setting and business planning processes have been further integrated, with customer comments being reported quarterly to councillors.

The Council has a good track record of achieving targets, making efficiency gains, and identifying gaps for improvement. Information, including contextual and benchmarking information, is used effectively and has led to funding to support priorities such as the environment, leading to an increase in CPA scores. The Council has also exceeded its 3-year annual efficiency targets.

A strong culture to support performance improvement is in place. This includes an active approach to learning from activities such as user experience, staff feedback, complaints, post-implementation reviews, external reviews and benchmarking. For example, a corporate performance network is in place to support each directorate, which includes advice on IT issues, help with data analysis and challenging performance..

KLOE 2.3 (good governance)	
Score	3
VFM criterion met	Yes

Key findings and conclusions

The Council has robust governance procedures and practices in place and has clearly identified members roles and responsibilities. The Council invited challenge through a recent Ethical Governance health check carried out by IDeA which explored the Council's arrangements. IDeA reported that officers and members came across as being committed and professional and that there were some good relations between portfolio holders and directors.

The Monitoring Officer was seen as being proactive and widely trusted. The training programme for members is given high priority after their initial induction so that all members are made aware of their obligations under the Members Code of Conduct. The Council has introduced PDP sessions following which individual action plans are agreed. The Council can demonstrate the range of members training that is offered as well as level of attendance which is monitored by the Members Users Group. Processes to capture and evaluate members views on the effectiveness of training are continuing to be developed. The Council's culture is open and outward facing with a clear focus on the needs of local communities.

The Council, with its LSP partners, developed and launched a long-term 2026 Vision and a sustainable community strategy (City of Southampton Strategy) in 2007. In addition, the Council and its LSP partners have agreed their shared key priorities through the LAA and a range of specific partnership plans which are used to drive through the delivery of the

Appendix 5 – Use of resources key findings and conclusions

Council's and wider partnership priorities. The Council has a strong, embedded culture of good governance. The Monitoring Officer was involved from the outset in the development of the current national ethical framework for local government and the work of the Standards Board.

The Council is regarded as an exemplar of best practice in respect of ethical governance in the region and has provided support and assistance to other authorities. The Council is proactively raising standards of ethical conduct, including preparation to ensure that they have considered the risks associated with locally determining potential cases against members. Ethical issues are communicated to staff via regular staff briefings on the intranet, via the Standards and Governance Committee intranet site and to the wider public and local businesses via 'Cityview' which is delivered regularly to all households in the city.

The Council ensures each of its significant partnerships has an appropriate form of governance that is formally documented. In 2007 the Council entered into a formal 10-year Strategic Services Partnership with Capita for the provision of and investment in a significant element of its services. Governance of the Strategic Services Partnership is strong. Senior staff and councillors are content with the governance arrangements. PA consulting carried out a review of the partnership which reported that it had a good performance-driven regime. Internal audit also confirmed the partnership's sound governance and reporting, along with clear targets and a framework for escalating performance issues.

The Council has signed a locality-wide agreement governing its relations with other voluntary and community organisations. The Southampton Compact was adopted in 2006 to clarify, develop and embed good relations between public and voluntary sectors in Southampton. The Strategic Partnerships Manager is responsible for maintaining a corporate overview of all partnership working and development across the City through regular liaison with partnership managers with reports to both COMT and the Southampton Partnership. The Council has developed a new Partnerships Code and Partnerships Toolkit to ensure that all parties understand and appreciate the respective roles in partnership working.

KLOE 2.4 (risk management and internal control)

Score

3

VFM criterion met

Yes

Key findings and conclusions

Risk management is embedded in the Council's key business processes, including strategic planning, financial planning, policy making, performance management and project management. The Council equips all members to undertake their roles and responsibilities for risk management through training and briefings. Effective risk management supports the

Appendix 5 – Use of resources key findings and conclusions

Council in taking and managing significant risks to deliver innovative and challenging projects. The corporate risk register is aligned to the corporate priorities. The Council key partnership with Capita has in place an 'issues management process' which actively manages risks and has an escalation process. The recently developed 'partnership protocol' makes specific reference to risk management and this is being rolled out to key partners. One of the key indicators of the Council's commitment to risk management is the protection of its reputation and improved management of the media and the Council is an active partner in the national reputation project.

The 'Anti Fraud and Corruption Strategy' identifies seven desired outcomes including - Culture: creating a zero tolerance culture; Investigation: formal procedures to investigate fraud or corruption when suspected; and Sanctions: to deal robustly with perpetrators and have no hesitation in referring cases to the police. Internal audit have delivered 'anti-fraud training' to all directorate managements teams and targeted groups of staff across the Council. The Benefits Service considers fraud cases against its prosecution policy and sanction activity over the last four years demonstrates a continuing pattern of prosecutions, formal cautions and administrative penalties.

The balance between the number of identified cases of fraud and corruption and the robustness of the Council's response evidences that the Council is performing well in countering fraud and corruption. Successful cases of Benefit Fraud are routinely publicised in the local press. The Benefits Service considers cases recommended against its 'Prosecution Policy'. In 2007/2008 the number of cases sanctioned was 101 claims. These were broken down as to 42 Prosecutions, 40 Formal Cautions and 19 Administrative Penalties. There are currently 48 cases awaiting prosecution, 32 cases with the Council's Legal Services and 16 with Department of Work and Pensions Solicitors following joint working. The Benefit Fraud Investigation Team also receive requests to assist Hampshire Constabulary with multi agency investigation work and a recent example of this involved an individual making multiple claims for benefit, mortgages and other credit and loans.

The Council has assessed its counter fraud arrangements against professional standards, reported the findings to the Audit Committee and is taking action to address areas for improvement. Inter agency co-operation and intelligence is achieved through the Hampshire Audit Alliance, the Police, the PCT and the DWP.

The Council has a sound system of internal control which includes an effective Audit Committee that challenges lead directors and managers to justify their actions in response to issues raised by both internal and external audit. There is effective internal audit and an assurance framework which provides for transparent governance reporting and ensures that all relevant laws and regulations are complied with and that expenditure is lawful. The Audit Committee is balanced in

Appendix 5 – Use of resources key findings and conclusions

membership and can demonstrate the positive impact of its work. Members of the Audit Committee have no Cabinet member responsibilities. The Audit Committee is responsible for providing independent assurance to the Standards and Governance (S&G) Committee on the adequacy of the risk management framework and to be satisfied and provide assurance to the S&G Committee that appropriate action is being taken on risk and internal control related issues identified by the internal and external auditors and other review and inspection bodies.

Table 7 **Managing resources**

Theme score: 3

Key findings and conclusions

The Council makes effective use of natural resources. The baseline information that it has helps it understand the natural resources it consumes. It has a range of sustainable strategies, policies and targets in place and recognises the need to develop plans to reduce water use and raw materials and to embed sustainability impact assessments. It is reducing its use of natural resources and is on track to meet its targets for sustainability indicators. It has started to identify the risks that impact on its operations and the environmental impact of its suppliers. It works well with partners, for example through the innovative district energy scheme which has helped the City minimise energy use. Other partnerships have resulted in developing sustainable schools and developing the region’s sustainability policy. It funds an energy manager as part of a city-wide energy partnership, which ensures delivery of its action plan such as reducing CO2.

The Council manages its assets effectively to help deliver its strategic priorities and service needs. It has clear views on how landholdings should be used, why properties are owned and uses its property portfolio as an enabler of change. There is a well-managed capital programme linked to priorities. It understands the opportunity cost of its property and exploits this to deliver better vfm and benefits for the community. It challenges whether its assets are required, fit for purpose and provide vfm to meet current and future needs. It works with partners in developing a strategic approach for assets used by public bodies across its area. It is integrating the management of its asset base with others to identify opportunities for shared use of property and is rationalising its own office occupation. The Council and the PCT share accommodation, bringing closer working relationships and operational savings. It maintains a category of ‘social property’ which is let to third parties to support social or economic outcomes for communities.

Appendix 5 – Use of resources key findings and conclusions

<p>KLOE 3.1 (use of natural resources)</p> <p>Score</p> <p>VFM criterion met</p>	<p>3</p> <p>Yes</p>
<p>Key findings and conclusions</p>	
<p>The baseline information that the Council has helps it understand most of the natural resources it consumes. It knows which of its operations produce the most carbon and targets this as a priority and it has a range of sustainable strategies, such as sustainability principles, a climate change and air quality strategy with action plans, a Fair Trade food agreement, a biodiversity action plan, a green spaces strategy, a coastal plan, an energy vision and a draft energy policy. An overarching strategy is not in place, but is co-ordinated through the city-wide area partnership.</p> <p>Staff are involved in a number of ways. Forums were held to develop the sustainability impact assessment, and staff have been involved in the Council's 'Switch Off' campaign. A transport plan encourages staff to use public transport and cycles. A recent textile recycling initiative at Council premises resulted in 585kgs of textiles being recycled.</p> <p>The Council has reliable information to monitor its performance. Baselines for all sustainably-related information, eg air quality, contaminated land, carbon emissions and water saving planning applications are in place. Plans to reduce water usage and raw materials are project based rather than strategic, and some policies are not yet underpinned by SMART targets. However, there are many examples of plans to reduce the use of these areas. Sustainability is reflected within the priorities set out in corporate plans and partners plans eg Safe City plans.</p> <p>The Council produces reliable information for data collected for NI185 and 186. It is now setting targets for water and raw materials in a pilot study. It is reducing consumption in line with targets. Performance against NI185 was 398 tonnes in 2006/07 although this fell to 341 in 2007/08. However, the target of 758 tonnes has been met for 2008/09 and the Council states it will exceed its LAA stretch targets for both the Council and city-wide next year. It is on track to meet all its other sustainability targets. Mileage for staff travel and reduction in fuel use has resulted in refuse vehicles reducing fuel use by 8,000 litres in 2007/08. Local indicators to increase bus and cycle travel have been met, saving the Council £264,000.</p> <p>Sustainability impact appraisals are undertaken for major projects and plans, but not yet routinely across all services, although it has now been incorporated into business plan guidance. The Council has begun a study for the impact on its town depot project, and altered the specification of its lighting PFI to ensure 'dimnable' lighting. It has identified the risks that could impact on its operations, such as a flooding. It is starting to consider the environmental impact of suppliers, with a new</p>	

Appendix 5 – Use of resources key findings and conclusions

sustainability criteria alongside its procurement strategy.

The Council can evidence innovative and excellent work with its partners on reducing the use of natural resources. A partnership between the Council and Utilicom provides the innovative District Energy Scheme for heating and cooling for the city by using natural geothermal energy. This has helped the city minimise energy by saving over 12,000 tonnes of CO2 each year. Other partnerships include: shared buildings with the PCT and Capita; working with PUSH to develop the region’s sustainability policy; working with GOSE to support the sustainable schools initiative; contributing to a DEFRA initiative to develop a national policy on carbon reduction; and working with South West Trains on a £54m project to widen rail gauges from the port to increase train transport, rather than HGVs. Some schools have set up internal eco-school groups, adopted environmental policies and one school has a target to become the first retrofitted carbon neutral school by 2010. The Council funds an energy manager as part of the energy partnership, which ensures delivery of its action plan such as reducing CO2 and working with schools and leisure centres.

KLOE 3.2 (strategic asset management)

Score

3

VFM criterion met

Yes

Key findings and conclusions

The Council has a corporate approach and clear views on how strategic landholdings should be used and why properties are owned and uses its property portfolio as an enabler of change. There is a well managed capital programme linked to priorities and supporting services. The Council uses its property portfolio as an enabler of change. It understands the opportunity cost of its property and exploits this to deliver better value for money and benefits for the local community. There is a focus on using the property portfolio to help deliver sustainable social, environmental and economic outcomes for the local communities.

The Council challenges whether all its assets are required, fit for purpose and provide value for money to meet current and future needs by monitoring property performance and undertaking periodic property reviews. The Service Property Review procedure includes four criteria, Suitability, Sufficiency, Opportunity Cost and Running Costs all of which help determine whether a property is fit for purpose and whether it should be retained, improved or disposed of. The Council is in the process of rationalising its own office occupation in the centre of Southampton by moving out of its existing leased accommodation and concentrating its staff in a refurbished Civic Centre and by part occupation of the Regional Business

Appendix 5 – Use of resources key findings and conclusions

Centre which is currently being built to house Capita staff servicing outsourced Council services but which will also have accommodation for some existing City Council staff. Benchmarking is used to compare performance with other similar asset holding bodies, for example comparing costs in respect of social care homes and highways improvement.

The Council is actively working with partners in developing a long term strategic approach for all assets used by public bodies across its area. The Council is working towards integrating the management of its asset base with others, for example, third sector and local public agencies, to identify opportunities for shared use of property and to deliver seamless cross-sector, cross-agency and community based services to users. Examples already exist where the Council and the PCT share accommodation within the city bringing closer working relationships and operational savings. The Council maintains one entire category of property as “social property” which is let to third parties. Whilst this property may generate an income its prime purpose is to support social or economic outcomes for communities. The Asset Management Plan's 'Top Twenty Projects' includes projects that support, or have strong links with, community needs and empowerment.

KLOE 3.3 (workforce planning)	
Score	N/A
VFM criterion met	N/A
Key findings and conclusions	
The Audit Commission has not specified KLOE 3.3 for Single Tier Authorities in 2008/09	

The Audit Commission

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Appendix 5 – Use of resources key findings and conclusions