KPMG

Leeds City Council

Identification of non-priorities and distribution of resources

August 2007

AUDIT

Contents

Contents *(continued)*

1 Executive summary

1.1 Introduction

The Council's 2005 Comprehensive Performance Assessment (CPA) report stated that there was a lack of clarity around non-priorities and this meant movement of resources from lower priority services remained limited. The risk for the Council is that resources are not focused on its key priorities. Since 2005 the Council has undertaken a series of work to develop a model that will enable the Council to identify priority and non-priority services. This would then allow the Council to move resources from lower priority services.

Previous External Audit reports have reviewed the Social Services' Budget position and the Council's Financial Plan, as these reviews clearly have an impact on resources, progress on the implementation of the recommendations made in these reports has also been reviewed.

1.2 Key findings

The key findings of the review are:

- The Council alongside PriceWaterhouseCoopers developed a Service Prioritisation Model, which was presented to Council in October 2005. A report in October 2006 identified there was various understanding issues in respect of the Model, also some departments expressed concern about the reliability of data within the Model. To ensure the Model is accurate and to create greater ownership and understanding of the Model, departments are in the process of making their own assessments of services in respect of the value of the service and how good the Council is at delivering the service. (Section 3.2)

- The Council has established a plan for using the assessments made by the departments to establish a priority led budget approach. The plan involves, using the assessments to create a direction of travel for each service based on the Council's priorities, which includes the Local Area Agreement Needs Analysis. (Section 3.3).

- Whilst the Council can not currently demonstrate how the Service Prioritisation Model has influenced resource allocation, there is a process in place to ensure the 2008/09 budget setting process is influenced by the Service Prioritisation Model. (Section 3.5)

- Alongside the development of the Service Prioritisation Model, the Council also identified a number of cross cutting and 'quick win' projects. (Section 4.1)

Executive summary *(continued)*

- The cross cutting projects are going to deliver cost savings and efficiencies in the medium to long term, and to demonstrate this arrangements should be in place to monitor these benefits. (Section 4.2)

- The 2006/07 and 2007/08 budget process resulted in money being allocated to priorities although it is not clear how the services receiving the budget reductions or the services receiving additional monies fit into the service prioritisation work. (Section 3.4). The savings identified from the 'quick win' projects were also allocated to priorities, although again it is not clear how the services receiving the additional monies fit into the Model. (Section 4.3)

- The recommendations made in our Review of Social Services' Budget Position have all been implemented, however significant budget pressures still exist. There was an overspend in 2005/06 and there is a projected overspend of £6.6m after action plan savings for 2006/07. Whilst this projected overspend is an improvement compared to the 2004/05 overspend, the Council need to ensure that overspends continue to be addressed so resources can be used on priority services. (Section 5.3)

1.3 Key learning points

The key learning points are:

- The Council should continue with its plan for the Service Prioritisation Model, which involves, completing assessments of services and then the identification of direction of travel to inform the 2008/09 budget process. The outcomes of this process, as planned, will help the Council demonstrate the movement of resources from low or non-priority services to high priority services.

- The arrangements for monitoring the cross cutting and 'quick win' projects require a mechanism to identify the resources that become available as a result of the projects, and then how these resources are re-directed. The arrangements should also include how the re-direction fits in with the Service Prioritisation Model. This will help demonstrate the Council is using the Model in resource allocation.

- Ensuring that an appropriate governance structure is in place which allows the progress on the implementation of the Model to be reviewed.

1.4 Way forward

We will discuss the findings of the review with officers to agree an action plan to address the key issues going forward. In addition, we shall continue to work with officers to constructively challenge the delivery of action plans.

2 Introduction

2.1 Background

The Council's 2005 CPA report stated that there was a lack of clarity about what are non priorities and this meant movement of resources from lower priority services remained limited. The risk for the Council is that resources are still not focused on its key priorities. Since 2005 the Council has undertaken a series of work to develop a model that will enable the Council to identify priority and non priority services, which would then allow the Council to move resources from lower priority services.

Like a number of other councils, Leeds faced significant Social Services' budget pressures which impacted on the Council's resources. This issue was the subject of an external audit review and the Council's progress on the resulting action plan is important, because tackling the issues raised in the action plan means that resources are not used to tackle overspends that could be managed. The Council's Medium Term Financial Plan (MTFP) is also important because this is the instrumental financial document which underpins the strategic direction of an organisation, this too was the subject of an external audit review.

2.2 Objectives and scope of our review

This review covered the progress the Council had made in moving resources from lower priority services to higher priority services and following up issues raised as part of our earlier reviews on the Social Services Budget Position and the Council's MTFP. Our review specifically considered the extent to which:

- Progress has been made on the service prioritisation agenda (Section 3).
- Progress has been made in using the outputs of the model to redistribute resources from lower priority services to high priority services (Section 3).
- Recommendations in the following reviews have been implemented:
  - Review of Social Services' Budget Position; and
  - Review of the Financial Plan (Section 5).

Introduction *(continued)*

2.3 Audit approach

Our approach has been to:

- review key documents including the outputs of the service prioritisation model;
- interview key officers, including the Service Prioritisation project sponsor and officers responsible for specific projects in the service prioritisation process; and
- apply various audit tools assessing specific issues.

2.4 Acknowledgements

We would like to take this opportunity to thank all those staff at the Council who have supported this review.

3 Service Prioritisation

3.1 Introduction

This section covers:

- the progress that has been made on the service prioritisation agenda; and
- the progress that has been made in utilising the outputs of the model to redistribute resources from low or non-priority services to high priority services.

3.2 Progress on developing a Service Prioritisation Model

The Council, with PriceWaterhouseCoopers has developed a Service Prioritisation Model which:

- identifies the relative value and quality of the main service areas;
- identifies areas for efficiency and performance improvement; and
- provides the Council with a process to align corporate priorities to the budget setting process.

This model was developed and first presented to the Council in October 2005. Progress on the model was reported by the Policy, Performance and Improvement Team to Corporate Management Team (CMT) in October 2006. The report highlighted that in the implementation of projects there was a lack of commitment and understanding about the Service Prioritisation Model. The report went on to say that the Service Prioritisation Model had not influenced alignment of priorities to the budget setting process. Following this further work was undertaken by the Policy, Performance and Improvement Team and this is discussed below.

One of the issues identified was that the Model also included Project Prioritisation (which is dealt within section 4 of this report) and this led to some confusion within the Council as some officers believed that Project Prioritisation was part of the Service Prioritisation process. Officers have now resolved this understanding issue in relation to the Model. Another issue which was identified, was that not all departments accepted the reliability of the data within the Service Prioritisation Model. As a result of this, the Council has developed a process to enable departments to undertake their own assessments, along the lines of the Service Prioritisation Model. This is positive progress as it will help foster ownership of the model within departments.

Service Prioritisation *(continued)*

The assessment considers whether the services are of value and whether the Council is good at delivering the services. The Model then categorises the services into four groups:

- divest (current performance is poor delivery of a low value service);

- invest (current performance is poor delivery of a high value service);

- leverage (current performance is strong delivery of a low value service); and

- protect (current performance is strong delivery of a high value service).

The departments are at different stages within the process of making the above assessment of their services and progress is being reviewed by the Policy, Performance and Improvement Team.

3.3 Next steps with the Service Prioritisation Model

Once the assessment element is complete the Council will establish the direction of travel for most services. The plans for this include, considering the Local Area Agreements Needs Analysis and 35 priority outcomes to ensure the correct direction of travel is identified. This will be completed by the Corporate Management Team, Leader Management Team and other Members. Again this is important as it will get support from Members who ultimately are responsible for setting the Council's budget.

The Council plans to ensure the direction of travel for all services has been established for the beginning of the budget process, as the next stage will be to ensure the budget reflects the direction of travel assessments. Discussions with officers have revealed that whilst it will not be possible to transform the Council's budget in one budget process, officers believe this process will demonstrate movement of resources from low or non-priority services to high priority services in some areas. The Council is also piloting a zero-based budget review of its Building Control Service which it then hopes to implement in other services where appropriate.

The Council clearly need to continue with this plan to ensure they can demonstrate a movement of resources from low or non-priority services to priority services.

Service Prioritisation *(continued)*

3.4 2006/07 and 2007/08 Budgets

Our review of the 2006/07 and 2007/08 budgets highlighted that £5.4m and £6.7m of additional monies respectively had been allocated to the Council's priorities. However, it is not clear which services have had budget reductions to enable this money to be allocated to priority services. The identification of these services is important as it helps identify a movement of resources from low or non-priority services to priority services. Going forward, nine projects have been identified to realise significant savings from 2008/09 onwards. This is important as it will help demonstrate areas which are releasing resources, however the Council need to demonstrate how these areas fit into the Prioritisation Model, therefore the Council can evidence it is using the outputs of the Model. More widely the Model should be a key factor in deciding which services release savings.

Recommendation 1

The Service Prioritisation Model should be used to determine which services release savings. Further to this, to demonstrate how the Council is using the Service Prioritisation Model, the Council should formally identify how the nine projects identified in the 2007/08 budget fit into the Model.

3.5 Summary

The Council has made progress in firstly establishing a Service Prioritisation Model, secondly, resolving issues around its Model and thirdly, identifying a methodology for ensuring the Model is incorporated as part of the budget setting process. Therefore, whilst the Model cannot be shown to have impacted on resource allocation to date, arrangements, in terms of the methodology and progress on updating the Model are in place and now the Council need to demonstrate how it impacts on the 2008/09 budget setting process.

4 Project Prioritisation

4.1 Introduction

In developing the Service Prioritisation Model, a Project Prioritisation Model was also developed through which the Council has identified other areas of work. These areas involved, undertaking:

- five cross cutting projects; and
- 'quick win' projects which could be used to fund longer term projects/priorities.

4.2 Cross cutting projects

The cross cutting projects identified by the Council were:

- Support Service Review;
- Asset Management – rationalisation of office space and looking at flexible ways of working;
- Asset Management of service delivery facilities;
- Review of the Strategic Landlord function; and
- Procurement and joined up commissioning.

The Council has started to make progress in all five of the cross cutting projects, however the main outputs of these projects are going to be seen over the medium to long term. For example, in the review of asset management (rationalisation of office space working flexibly), whilst there has been some success such as Housing Benefits officers working from home with less time lost to sickness absence, the main aim of releasing office accommodation will not be seen for a number of years, as it takes time to relocate staff and change office accommodation.

In another project, Procurement, the Council has taken steps to introduce new initiatives such as Procurement Cards (P Cards), yellow pages and new arrangements around Supplier Contract Management. The introduction of P-Cards was reviewed, here the Council are making progress with issuing P Cards and also have arrangements in place to monitor and review this progress, including monitoring the benefits in terms of the savings made. It is important that such arrangements are in place to ensure the benefits of the projects are monitored as the project is being undertaken. We understand as part of the Council's Delivering Successful change it has developed a corporate Project Management Framework, which includes benefit realisation.

Project Prioritisation *(continued)*

To date, due to the medium to long term nature of the projects there is no evidence that these projects have helped move resources from non-priority areas to priority areas. Over the medium to long term the Council will need to ensure it is able to show that resources have moved from low or non-priority areas to priority areas.

Good practice from another local authority identified resources freed by cost savings/efficiencies were pooled in a Priority Investment Reserve and then allocated based on priority needs. The priority needs in the Council could be identified from the Service Prioritisation Model.

Recommendation 2

The Council need to ensure it has a mechanism to identify the resources that become available as a result of the projects and following this how these resources are re-directed.

4.3 'Quick win' projects

The 'quick win' projects identified by the Council were:

- Receivables management;
- Fees, charges and income generation;
- Employee benefits and taxation; and
- Telecoms and utilities.

These areas were identified in the process of producing the Project Prioritisation Model.

Progress on these areas is being monitored by the Gershon Efficiency Project Board and all four projects have started. One project, Receivables Management, was reviewed and savings of £257,459 (2004/05) and £210,455 (2005/06) have been identified. The money was then reinvested in priority services. Therefore suggesting that the Council is allocating additional resources to priorities, however as identified in section 3.4 there needs to be an improved link between not only the services where the savings are identified and the Service Prioritisation Model, but also the link between the services that receive the money and the Model.

Project Prioritisation *(continued)*

4.4 Governance structure

The Efficiencies Programme Board has responsibility for monitoring progress on the projects and receives reports on the progress of the cross cutting projects. This is important as this ensures that the projects are reviewed in terms of their progress and objectives.

We are aware that as part of the Council's Delivering Successful Change it has developed a corporate Project Management Framework. From April 2007 this corporate approach to project management became mandatory. The Council are currently looking at the governance arrangements for the service prioritisation initiative, and this will also include benefit realisation. The Council need to ensure an appropriate governance structure is in place which will allow progress on the implementation of the initiative to be reviewed and benefit realisation of the cross cutting and 'quick win' projects to be monitored. This should reflect the project management framework.

Recommendation 3

The Council should ensure an appropriate governance structure is in place for the service prioritisation initiative. This governance structure should allow progress on the implementation of the initiative to be reviewed including monitoring benefit realisation.

5 Progress on implementing recommendations

5.1 Introduction

This section considers previous external audit reviews of the Social Services' Budget Position and the Council's Financial Plan and it reviews progress on implementing the recommendations that were made in these reports.

5.2 Background

Like a number of other councils, Leeds faced significant Social Services' budget pressures which impacted on resources. This issue was the subject of an external audit review. The Council's progress on implementing the resulting action plan is important, because tackling the issues raised in the action plan means that resources are not used to tackle overspends. The Council's Medium Term Financial Plan (MTFP) is also important because this is the instrumental financial document which underpins the strategic direction of an organisation, this too was the subject of a review by external audit.

5.3 Review of Social Services' Budget Position

In 2004/05 the Council faced significant budget pressures in Social Services, in fact at month three the projected overspend for the department was £18.8m. Our review of the Social Services' budget position made a number of recommendations, Appendix 1 shows that all the recommendations have been implemented. This demonstrates good progress by the Council in ensuring appropriate arrangements are in place to manage the Social Services' budget. However, actual budget performance has resulted in further budget overspends, whilst not as significant as in 2004/05, the year end position in 2005/06 was £4.1m overspent against the budget. The key areas of overspend were:

- Joint Commissioning Service for People with Learning Disabilities (£1.0m), due to an increasing number of service users with complex needs requiring expensive care packages;
- External hire of vehicles for transporting looked after children to school (£0.9m), due to delays in delivering budgeted savings and demand pressures with services;
- Roseville Enterprises (£2.3m), due to reduced demand of uPVC windows which the Enterprise makes; and
- Lower than budgeted income from service users (£0.7m).

Progress on implementing recommendations *(continued)*

Performance in the nine months to December 2006, showed budget performance continues to be an issue into 2006/07. The budget monitoring report identified a projected overspend of £8.5m without action plan savings and a projected overspend of £6.6m with the action plan savings. The main areas of projected overspend were:

- Outside children placements (£834k);
- External hire of vehicles for transporting looked after children to school (£949k);
- Fees to carers of children (£892k);
- PCT income reduction (£3.4m);
- Roseville Enterprises (£1.2m);
- Joint Commissioning Service for People with Learning Disabilities (£803k);
- Employee transport costs (£468k); and
- Food and drink (£584k).

Whilst the budget overspends in Social Services are not as significant as those in 2004/05, continuing to tackle budget overspends is important as it means resources can be directed towards priority services rather than being used on budget overspends and it is clear the Council has taken action during 2006/07 to reduce budget overspends. In the 2007/08 budget the Council has identified nine projects to release savings, some of the overspending areas above are included in these nine projects, therefore demonstrating the Council are continuing to manage pressures in Social Services.

5.4 Review of the Council's Financial Plan

The Council published its Financial Plan in Autumn 2004 and our review made a number of recommendations. Appendix 2 shows progress has been made on a number of these recommendations or is linked to the development of the new Financial Plan, which has been postponed due to the delay in the government's comprehensive spending review. Appendix 2 indicates other than areas linked to developing a new Financial Plan progress is still required on the service prioritisation initiative, which is also indicated by Section 3 of this report.

Appendix 1 – Implementation of recommendations from the Review of the Social Services' Budget Position

***	Significant residual risk	**	Some residual risk	*	Little residual risk	
	Recommendation	**Priority**	**Original management response**		**Progress as at February 2007**	**Recommendation status**
1	Chief Officers within Social Services and the Council should continue to implement the identified actions to address the issues above. This should include training for budget holders and development of staff to understand the balance between value for money and available resources.	***	Guidance manual for budget holders issued in July 2004 and followed by training for senior managers. More comprehensive suite of training courses for budget holders to be developed during 2005/06 and rolled out to middle managers. Quarterly budget workshops introduced in November 2004 and budget information pack produced for each budget holder in March 2005 for the 2005/06 budget. Procedures for approving and monitoring expenditure on key budgets have been improved and are being further refined. The business case approach has been introduced for new developments and is becoming embedded in departmental practice.		The following developments have occurred since the review: - Financial training courses; - Improved IT arrangements to allow more flexible access to budget reports. Building on this further the Council are finalising e-learning packages to support budget holders in the future.	Implemented
2	Chief Officers within Social Services should ensure that there is accurate monitoring information and reconciliations should be completed between financial commitments and activity information.	**	Monthly Performance Information Pack being developed for DMT to link financial, activity and performance data for the key departmental budgets (community care placements, domiciliary care, children's placements, transport & staffing). Monitoring arrangements are being developed with the Chief Officer for children's placements and legal services expenditure. Staff from the Corporate Efficiency Review Team are developing comprehensive monitoring systems for community care placements and domiciliary care.		The following developments have occurred since the review: - Monthly financial, activity and performance information packs are now in place. - Improvements have been made to monitoring systems for community care placements and domiciliary care. - The introduction of Electronic Social Care Records financial information for children's placements has improved the collection of activity data.	Implemented

Appendix 1 – Implementation of recommendations from the Review of the Social Services' Budget Position *(continued)*

***	Significant residual risk	**	Some residual risk	*	Little residual risk	
	Recommendation	Priority	Original management response		Progress as at February 2007	Recommendation status
3	Chief Officers within Social Services should ensure that along side of the ESCR developments there is a cultural change amongst staff to enable that the necessary information is captured.	**	Business Transformation Team established and working on business process mapping and re-engineering.		Transformation teams in Adults and Children's Services have been established. These teams now manage the business and data capture process re-engineering and consider the impact on culture within the service	Implemented
4	Social Services DMT should consider a review of whether the 2004/05 actions have achieved their expected outcomes. This should include identifying areas of good practice and areas for improvement.	**	Overall 45% of targeted savings delivered for 2004/05. Further analysis across expenditure types and budget holders to be undertaken for DMT consideration and action as appropriate.		During 2005/06 more detailed focus on achieving planned actions was provided through the Implementation Control Matrix and Chief Officer budget action plans presented to DMT. In 2005/06 50% of planned savings within the Implementation Control Programme were delivered and the projection for 2006/07 is 65%.	Implemented
5	Chief Officers within Social Services should ensure that the level of risk exposure relating to service provision is consistently and accurately measured and that the long term implications of decisions are considered. In addition as part of the review of service delivery there should be overall consideration of whether services are high or low risk and what the impact of decisions will be.	***	Comprehensive financial risk register in place for 2005/06 and work commenced to broaden this to cover the full range of potential risks. Audit & Risk Division input available for DIPIG workstreams. Joint risk management workshops held with PCTs		Risk Registers are now produced on a quarterly basis. Each risk has an allocated owner who is responsible for updating the risk register. A DMT Performance Board has been established that will consider risk issues alongside the DMT Finance and Resources Board.	Implemented
6	Chief Officers within Social Services should continue to introduce detailed action plans and these should include more specific and measurable outcomes, linking directly financial savings and the impact on activity.	***	Contingency Plan being prepared to address any budget pressures or slippage in planned actions in 2005/06		Budget action plans are well established and have focus on developing contingency actions where required. A monitoring mechanism is in place to monitor the progress on actions. For 2007/08, budget action plans are already in place, with further improvements to the monitoring arrangements.	Implemented

***	Significant residual risk	**	Some residual risk	*	Little residual risk	
	Recommendation	**Priority**	**Original management response**		**Progress as at February 2007**	**Recommendation status**
7	Chief Officers within Social Services should complete a commissioning strategy for their service area setting out purchasing intentions for at least the next three years. This should include consideration of different service delivery partnerships.	***	The department has already agreed a commissioning framework and the department's Business Plan 2005-2008 sets out priorities for service commissioning over the next three years. This plan will be kept under review and new commissioning priorities added as they emerge. More work is required to specify in detail service requirements and the volumes of service to be delivered. Procurement activity linked to new contracts for services, e.g. home care and residential care, will open up opportunities for different delivery partnerships to emerge. Adult Services:- Strategy is comprised of component parts and is being developed in stages – Home Care, Residential & Nursing Care, Day Services by September 2005. All external contracts to be reviewed/re-commissioned over next 12 months. Children's Services:- Meetings set up to deliver the commissioning strategy and procurement process in place.		Progress in terms of a Commissioning Strategy had been made at the time the recommendation was made. Since then, commissioning and providing functions have been separated. A new post of Chief Officer, Commissioning, has been created. This post holder takes responsibility for all social care commissioning. Two Heads of Service Commissioning to support the Chief Officer will be in post before 31 March 2007. Service specific Chief Officers will take responsibility for service modernisation and delivery in their service areas and will increasingly be focusing on opportunities for integrated service delivery.	Implemented
8	Social Services should work in partnership with other bodies, in particular health to deliver a care pathways approach for services.	**	The Department is engaged with NHS partners in the Strategic Services Plan (Making Leeds Better)		The Council continues to work with NHS bodies in the design and implementation of revised pathways of care for both adults and children.	Implemented

Appendix 1 – Implementation of recommendations from the Review of the Social Services' Budget Position *(continued)*

***	Significant residual risk	**	Some residual risk	*	Little residual risk	
	Recommendation	**Priority**	**Original management response**		**Progress as at February 2007**	**Recommendation status**
9	The Director of Social Services should consider a review of the Departments charging policy.	**	DIPIG workstream established to take forward this work.		A report was approved by Executive in November 2005 setting out a draft policy framework and a timetable for a charging policy review. The original timetable this report set out has been revised to ensure the implications of service reconfiguration and modernisation can be appropriately reflected in the proposals. A report is now due to be taken to Executive in late summer or early autumn 2007.	Implemented
10	Chief Officers within Social Services should monitor the impact of investment and whether this has brought about the expected results.	**	A requirement to identify the benefits realised from new investment is now established for business cases in IT and for the Independent Living PFI. The department's business case proforma will be amended to include a more explicit statement on the benefits to be realised from a new investment and how these benefits will be measured. As impact and benefits will often emerge over the medium term a register system will be established within performance management to record and assess longer term performance. For Adult Services this will be monitored and performance managed through the Implementation of Delivery & Improvement Plan for Adult Services – DIPIG Project Group. ESCR has provided a good basis for performance management in Children's Services and this will be monitored through the Performance Improvement Board.		Business case and project management methodology adopted within the department enables benefit realisation of investment to be more effectively monitored.	Implemented

***	Significant residual risk	**	Some residual risk	*	Little residual risk	
	Recommendation	**Priority**	**Original management response**		**Progress as at February 2007**	**Recommendation status**
11	Chief Officers need to ensure that there is continued action to integrate a sustainable financial position into medium term service modernisation plans.	**	Departmental Business Plan and Director's roadshows give the overall framework for service planning. DMT has agreed the need for individual service plans		Service modernisation and the financial consequences are clearly considered in the three year departmental business plan.	Implemented
12	Chief Officers within Social Services should continue to ensure that non-financial risks are identified and the implications considered alongside of the financial areas.	**	See Item 5 above.		See item 5 above.	Implemented
13	The Council should consider the issues above and in particular arrangements for addressing the requirements from the Bichard inquiry and Children's Act.	**	A comprehensive risk register will include both financial and non-financial risks. A further review of Bichard recommendations will be undertaken and any further risks identified will be added to the risk register.		Risks arising from the Children's Act, including the Bichard inquiry, are contained in the risk register, and are therefore being considered.	Implemented

Appendix 2 – Implementation of recommendations from the Review of the Council's Financial Plan

*** Significant residual risk		** Some residual risk		* Little residual risk		
Recommendation	**Priority**	**Original management response**		**Progress as at February 2007**		**Recommendation status**
1	The Council should amend the corporate and service planning framework to ensure that updates to the Financial plan inform the annual service and budget planning process.	**	Agreed. In line with the Government's Spending Review timetable, a new Financial Plan is produced every two years. In the interim year, the intention is to produce a review, and it is intended that this is submitted to the Executive Board in November 2005. For the future the review mechanism will be clarified within the Financial Plan.		The new Financial Plan has been postponed until Autumn 2007 due to the delay in the Comprehensive Spending Review and also to enable it to be linked to the development of the Council's new Corporate Plan.	To be implemented with the development of the New Financial Plan.
2	The Council needs to identify and implement a formal mechanism to review the Financial Plan on a regular basis, including a series of targets/milestones to measure the success of implementing the Financial Plan.	***	Agreed and as above.		The Financial Plan was updated in November 2006, the development of the new Financial Plan will consider a formal mechanism to review the Financial Plan and any relevant targets/milestones.	To be implemented with the development of the New Financial Plan.
3	The Council should establish a service and financial planning framework that allows service priorities key to the Council's corporate priorities to be identified and considered as part of the budget preparation cycle. This can be completed by starting the service planning cycle earlier, to enable all priorities to be identified and then considered as part of the budget cycle.	***	Agreed. The Council's priorities are clearly stated within its corporate plan, and these form the basis of decisions about resource allocation and realignment.		Being further developed as part of the Council's approach to service prioritisation.	To be implemented further as part of the service prioritisation initiative.

Appendix 2 – Implementation of recommendations from the Review of the Council's Financial Plan *(continued)*

***	**Significant residual risk**	**	**Some residual risk**	*	**Little residual risk**	
	Recommendation	**Priority**	**Original management response**		**Progress as at February 2007**	**Recommendation status**
4	The Council's approach that is currently in development needs to integrate consideration of the annual efficiency statement with a mechanism to demonstrate how resources follow priorities as part of the annual budget process and in the medium term context of the financial plan.	**	Agreed.		Being further developed as part of the Council's approach to service prioritisation.	To be implemented further as part of the service prioritisation initiative.
5	The Council needs to ensure the development of Gershon efficiency savings is implemented in all Departments as early as possible to ensure all possible areas of savings are reviewed.	**	Agreed.		The Council has met the Gershon efficiency targets each year and has a process to monitor and review the process in the departments.	Implemented.
6	The Council need to implement their Risk Management Framework, and then develop a more risk based reserve policy which is specific about the relationship between risk and reserves level.	***	Agreed that there are areas of the risk based reserves policy which require further development, but professional judgement will continue to be an important element in determining the Council's risk based approach to reserves.		The risk management framework has been implemented and is reviewed on an annual basis. The Council has incorporated into the budget setting process a review of the risk registers and the financial impact of managing these risks. These are also considered when setting the level of reserves.	Implemented.
7	The Council should ensure the budget risk process accurately reflects the budget risks the Council faces and that all risks are accurately updated. The Council also needs to consider the explicit top down integration of corporate risk.	**	Agreed. The identification and monitoring budget risks is as a process still being embedded.		Our review has indicated that the budget risks are accurately updated.	Implemented.

Appendix 2 – Implementation of recommendations from the Review of the Council's Financial Plan *(continued)*

***	**Significant residual risk**	**	**Some residual risk**	*	**Little residual risk**	
	Recommendation	**Priority**	**Original management response**		**Progress as at February 2007**	**Recommendation status**
8	Departments should identify the expected service outcomes in terms of targets and baseline information as part of the additional budget bid and then monitor the performance both during and after the investment is made in the priority area. The Council should monitor expected service improvements from the additional resources provided to Departments for Corporate Plan priorities.	***	Agreed. Monitoring resource investment in terms of service improvement will be a key element of the Council's service prioritisation that is currently under development. Intention will be that it is incorporated within the Council's performance management framework.		Our review has indicated that this is now built into the monitoring procedures. Specifically, where resource investment takes place targets are identified and monitored.	Implemented.
9	The Financial Plan should identify the major schemes being planned/procured and their links to the Council's priorities.	**	To be considered further, although main vehicle for delivering capital investment is the Council's asset management plan and the capital programme.		The new Financial Plan has been postponed until Autumn 2007 due to the delay in the Comprehensive Spending Review and also to enable it to be linked to the development of the Council's new Corporate Plan.	To be implemented with the development of the New Financial Plan.
10	Whilst the Financial Plan does explicitly consider the expenditure required to support asset management plans. The plan should also explicitly consider the funding options that asset disposals could give within the financial plan in the medium term.	**	Agreed. Much of this is encompassed within the Council's Asset management Plan, but could consider ways in which stronger links could be made between this and the Financial Plan.		The new Financial Plan has been postponed until Autumn 2007 due to the delay in the Comprehensive Spending Review and also to enable it to be linked to the development of the Council's new Corporate Plan.	To be implemented with the development of the New Financial Plan.

Appendix 3 - Recommendations and action plan

***	Significant residual risk	**	Some residual risk	*	Little residual risk
	Recommendation	**Priority**	**Management response**		**Responsibility and timescale**
1	The Service Prioritisation Model should be used to determine which services release savings. Further to this, to demonstrate how the Council is using the Service Prioritisation Model, the Council should formally identify how the nine projects identified in the 2007/08 budget fit into the Model.	**	Agreed. This will be incorporated into the new financial plan.		Chief Officer Financial Management – December 2007.
2	The Council need to ensure it has a mechanism to identify the resources that become available as a result of the projects and following this how these resources are re-directed.	**	Whilst the recommendation is noted, it should be appreciated that service prioritisation operates within the Council's financial planning framework, with the need to produce a sustainable budget within an available level of resources. This can make it difficult to track the redirection of resources in such a specific way as described. However, budget reports do identify key variations and consideration will be given as to how the benefit realisation can be more clearly identified.		Chief Officer Financial Management – February 2008
3	The Council should ensure an appropriate governance structure is in place for the service prioritisation initiative. This governance structure should allow progress on the implementation of the initiative to be reviewed including monitoring benefit realisation.	**	A new Corporate Management Team members is being set-up in order to link the service prioritisation work with the way the council's budget is being set up. The service prioritisation work will not be put into a formal project environment however a full review of its effectiveness will take place after the budget has been signed off.		Improvement Manager – August 2007