

A meeting of the **CORPORATE GOVERNANCE PANEL** will be held in **MEETING ROOM 1, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, PE29 3TN** on **WEDNESDAY, 26 MARCH 2008** at **6:00 PM** and you are requested to attend for the transaction of the following business:-

**Contact
(01480)**

APOLOGIES

1. MINUTES (Pages 1 - 4)

To approve as a correct record the Minutes of the meeting of the Panel held on 12th December 2007.

**A Roberts
388004**

2. MEMBERS' INTERESTS

To receive from Members declarations as to personal and/or prejudicial interests and the nature of those interests in relation to any Agenda Item. Please see Notes 1 and 2 below.

3. CHANGES TO THE CODE OF FINANCIAL MANAGEMENT
(Pages 5 - 22)

To consider a report by the Head of Financial Services proposing changes to the Council's Code of Financial Management.

**S Couper
388103**

4. ASSURANCE FRAMEWORK AND ANNUAL GOVERNANCE STATEMENT (Pages 23 - 36)

To consider a report by the Head of Policy and Strategic Services on the assurance framework and Annual Governance Statement.

**H Thackray
388035**

5. EXTERNAL AUDITOR'S REPORT

(a) DATA QUALITY AUDIT REPORT 2006/07 (Pages 37 - 62)

To consider a report by the Head of Policy and Strategic Services on the Huntingdonshire District Council Data Quality Audit Report 2006/07.

**I Leatherbarrow
388005**

(b) USE OF RESOURCES REPORT 2006/07 (Pages 63 - 84)

To consider the Huntingdonshire District Council Use of Resources Report for 2006/07.

**S Couper
388103**

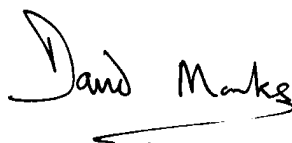
6. ANNUAL AUDIT AND INSPECTION LETTER (Pages 85 - 98)

To consider the Annual Audit and Inspection Letter.

**S Couper
388103**

7. **RISK REGISTER UPDATE** (Pages 99 - 108)
- To consider a report by the Audit and Risk Manager on the current risk register. **D Harwood
388115**
8. **INTERIM AUDIT SERVICE INTERNAL AUDIT PLAN 2008** (Pages 109 - 114)
- To consider a report by the Audit and Risk Manager regarding the internal audit plan for the four month period commencing 1st April 2008. **D Harwood
388115**
9. **INTERNAL AUDIT SERVICE: INTERIM PROGRESS REPORT** (Pages 115 - 124)
- To consider a report by the Audit Manager reviewing progress towards the achievement of the 2007/8 annual audit plan and associated management and performance issues. **D Harwood
388115**
10. **WHISTLEBLOWING: ANNUAL REVIEW OF POLICY AND PROCEDURE** (Pages 125 - 126)
- To note the outcome of the annual review on whistleblowing. **D Harwood
388115**
11. **TRAVEL PLAN** (Pages 127 - 138)
- To consider a report by the Head of Administration on the outcome of a study by the Overview and Scrutiny Panel (Service Support) Travel Plan Working Group. **Miss N Giles
387049**

Dated this 20th day of March 2008



Chief Executive

Notes

1. *A personal interest exists where a decision on a matter would affect to a greater extent than other people in the District –*
- (a) *the well-being, financial position, employment or business of the Councillor, their family or any person with whom they had a close association;*
 - (b) *a body employing those persons, any firm in which they are a partner and any company of which they are directors;*
 - (c) *any corporate body in which those persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or*
 - (d) *the Councillor's registerable financial and other interests.*

2. *A personal interest becomes a prejudicial interest where a member of the public (who has knowledge of the circumstances) would reasonably regard the Member's personal interest as being so significant that it is likely to prejudice the Councillor's judgement of the public interest.*

Please contact Miss H Ali, Democratic Services Officer, Tel No 01480 388006 / e-mail: Habbiba.Ali@huntsdc.gov.uk if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Panel.

Specific enquiries with regard to items on the Agenda should be directed towards the Contact Officer.

Members of the public are welcome to attend this meeting as observers except during consideration of confidential or exempt items of business.

Agenda and enclosures can be viewed on the District Council's website – www.huntingdonshire.gov.uk (under Councils and Democracy).

If you would like a translation of Agenda/Minutes/Reports or would like a large text version or an audio version please contact the Democratic Services Manager and we will try to accommodate your needs.

Emergency Procedure

In the event of the fire alarm being sounded and on the instruction of the Meeting Administrator, all attendees are requested to vacate the building via the closest emergency exit and to make their way to the car park adjacent to the Methodist Church on the High Street (opposite Prima's Italian Restaurant).

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Agenda Item 1

HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE PANEL held in Meeting room 1, Pathfinder House, St Mary's Street, Huntingdon, PE29 3TN on Wednesday, 12 December 2007.

PRESENT: Councillor C J Stephens – Chairman.
Councillors K J Churchill, P J Downes, T V Rogers, L M Simpson and G S E Thorpe.

APOLOGY: An apology for absence from the meeting was submitted on behalf of Councillor J A Gray.

19. MINUTES

The Minutes of the meeting held on 25th September 2007 were approved as a correct record and signed by the Chairman.

20. MEMBERS' INTERESTS

Councillor G S E Thorpe declared a personal interest in Minute No. 24 by virtue of being a Member of the E-Forum Working Group.

21. CALCULATION OF COUNCIL TAX BASE 2008/09

In accordance with Section 34 of the Local Government Finance Act 1992 and the local authorities (Calculation of Tax Base) Regulations 1992 (as amended) and after consideration of a report by the Head of Revenue Services (a copy of which is appended in the Minute Book) setting out the general principles for the calculation of the tax base for the District, it was

RESOLVED

- (a) that the report by the Head of Revenue Services regarding the calculation of the District Council's tax base for the year 2008/09 be approved; and
- (b) that in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992 (as amended), the amount calculated by the Huntingdonshire District Council as their tax base for the whole District for the year 2008/09 be 57,785 and shall be as listed below for each parish of the District:

Abbotsley	188
Abbots Ripton	134
Alconbury	563
Alconbury Weston	283
Alwalton	125
Barham & Woolley	26

Bluntisham	727
Brampton	1795
Brington & Molesworth	112
Broughton	87
Buckden	1145
Buckworth	50
Bury	590
Bythorn & Keyston	145
Catworth	137
Chesterton	60
Colne	335
Conington	74
Covington	42
Denton & Caldecote	24
Diddington	30
Earith	580
Easton	75
Ellington	234
Elton	290
Eynesbury Hardwicke	780
Farcet	580
Fenstanton	1200
Folksworth & Washingley	350
Glatton	132
Godmanchester	2258
Grafham	238
Great & Little Gidding	127
Great Gransden	457
Great Paxton	375
Great Staughton	310
Haddon	21
Hail Weston	238
Hamerton	42
Hemingford Abbots	325
Hemingford Grey	1154
Hilton	445
Holme	243
Holywell-cum-Needingworth	980
Houghton & Wyton	1215
Huntingdon	6774
Kings Ripton	73
Kimbolton & Stonely	590
Leighton Bromswold	80
Little Paxton	1145
Morborne	11
Offord Cluny	200
Offord d'Arcy	295
Old Hurst	95
Old Weston	88
Perry	265
Pidley-cum-Fenton	155
Ramsey	2880
St Ives	5650
St Neots	9120
St Neots Rural	40
Sawtry	1737
Sibson-cum-Stibbington	205

Somersham	1365
Southoe & Midloe	155
Spaldwick	225
Steeple Gidding	12
Stilton	785
Stow Longa	60
Tetworth	20
The Stukeleys	760
Tilbrook	105
Toseland	38
Upton & Coppingford	85
Upwood & The Raveleys	412
Warboys	1358
Waresley	128
Water Newton	42
Winwick	41
Wistow	220
Woodhurst	155
Woodwalton	85
Yaxley	2872
Yelling	<u>138</u>
	<u>57785</u>

22. INTERNAL AUDIT SERVICE CHANGING REPORTING PERIODS

With the aid of a report by the Audit and Risk Manager (a copy of which is appended in the Minute Book) the Panel gave consideration to a proposal to change the Internal Audit Service reporting period. Having been reminded of the change to the period on which the Council's Use of Resources Judgements were based, Members were informed that the proposed change would align the Internal Audit Report and Opinion with the Corporate Governance Statement. Whereupon, it was

RESOLVED

- (a) that the audit plan year be based on August to July;
- (b) that an audit plan for four months ending July 2008 be presented to the March meeting of the Panel; and
- (c) that the Internal Audit Strategy be amended to reflect the change in reporting period.

23. REVIEW OF THE ANTI FRAUD AND CORRUPTION STRATEGY

By means of a report by the Audit and Risk Manager (a copy of which is appended in the Minute Book) the Panel was acquainted with the outcome of a review of the Anti-Fraud and Corruption Strategy. The review had identified a number of recommended changes principally arising from fraud legislation.

Members discussed whether the Strategy should refer to Members. It was concluded that all matters concerning Members should be dealt with under the Code of Conduct. Members also discussed the means by which Members, employees and the public would be informed of the changes to the Strategy.

RESOLVED

that, subject to the deletion of the words “will make suitable arrangements” from paragraph 8.1, the revised Anti-Fraud and Corruption Strategy be adopted.

24. THE USE OF ONLINE MEDIA PROCEDURAL IMPLICATIONS

The Panel considered a report by the Head of Administration (a copy of which is appended in the Minute Book) on the procedural implications of recommendations by the Overview and Scrutiny Panel (Service Support) on the use of on-line media. Members were acquainted with the range of matters considered by the Overview and Scrutiny E-Forums Working Group in the course of its deliberations and the Working Group’s particular conclusions on introducing on-line petitions using the Modern.gov software system when this facility became available.

Having noted that in the event of an excessive number of petitions being organised by any one individual, the Panel would need to consider amending the petitions and vexatious complaints procedures, it was

RESOLVED

- (a) that the Council be recommended to amend the Constitution to enable on-line petitions to be processed under the existing provisions on petitions, subject to a maximum of three petitions being presented to any meeting; and
- (b) that in the event of an on-line petition not having a requisite number of signatories or the organiser not being prepared to present it to Council, the petition be submitted for consideration to the relevant Overview and Scrutiny Panel, subject to the petition containing the names and addresses of at least 10 persons who live or work or own property in the District.

25. REVIEW OF CONSTITUTION

Further to Minute No. 41, the Panel was acquainted with the recommendations of the Overview and Scrutiny Panel (Service Delivery) on a suggestion made during the review of the Constitution on introducing a District youth forum

RESOLVED

that the recommendation of the Overview and Scrutiny Panel (Service Delivery) that a District youth forum should not be established at this time, be noted.

Chairman

CORPORATE GOVERNANCE PANEL

26 MARCH 2008

**PROPOSED CHANGES TO THE CODE OF FINANCIAL MANAGEMENT
(Report by the Head of Financial Services)**

1 BACKGROUND AND PURPOSE

- 1.1** The Code of Financial Management is that part of the Council's Constitution that regulates the financial management of the Council. It is important that this is a "live" document that adapts to the changing needs of the Council.
- 1.2** The purpose of this report is to allow the Panel to consider some proposed changes and invites the Panel to recommend them to the April meeting of the Council.

2 PROPOSED CHANGES

- 2.1** The proposed changes are not major and relate to the following issues:

Deletion of Contingency

The Council accepted the Cabinet's proposal to delete the general contingency and so references to its use now need to be deleted from the Code.

Rephrasing of Expenditure

Paragraph 3.7 has been amplified to clarify the circumstances in which revenue expenditure can be rephased to future years.

Change of Responsibilities and Post Titles

From April the Income section will be transferred to the Head of Financial Services from the Head of Revenue Services, who will be redesignated as the Head of Customer Services. Paragraphs 4.2 and 5.8 have been reworded accordingly.

Increased emphasis on achieving Efficiency Savings

Annex B has been reworded to highlight the need to Heads of Service to carefully consider all options before deciding to replace staff who hand in their notice.

3 CONCLUSIONS

- 3.1** The changes outlined above, included in the proposed Code at Annex A, will ensure that the Code reflects the current needs of the Council.

4 RECOMMENDATION

- 4.1** The Panel is asked to recommend the attached revised Code of Financial Management to the Council:

ACCESS TO INFORMATION ACT 1985

Current Code of Financial Management

Contact Officer:

Steve Couper, Head of Financial Services ☎ **01480 388103**

Huntingdonshire District Council

**CODE OF FINANCIAL
MANAGEMENT**

DRAFT 2008

1. **FINANCIAL RESPONSIBILITIES**

1.1 **General**

Before any proposal that affects the Council's financial position is made the body or person(s) responsible for making that decision shall consider a written report, approved by the Director of Commerce and Technology, detailing the financial implications.

1.2 **The Council**

Will determine the Council's Financial Strategy, including a Medium Term Financial Plan (MTP), approve the annual budget and Prudential Indicators and set the level of the council tax.

Will approve the Council's Treasury Management Strategy.

1.3 **The Corporate Governance Panel**

Will ensure that the financial management of the Council is adequate and effective.

Will ensure that the Council has a sound system of internal control including arrangements for the management of risk.

Will consider the Council's Code of Corporate Governance and approve the annual statement.

Will approve the terms of reference and strategy for internal audit and comment on the annual internal and external audit plans.

Will consider the external auditor's annual management letter.

Will approve the Council's tax base and final accounts.

1.4 **The Cabinet**

Will propose to the Council the Financial Strategy, the MTP, the annual budget and council tax level, after appropriate consultation which will include the appropriate Overview and Scrutiny Panel, the Prudential Indicators and the annual Treasury Management Strategy.

Will set financial priorities, allocate and re-allocate resources in accordance with the limits in this Code, monitor and review financial performance and adopt a Treasury Management Policy.

1.5 **Overview and Scrutiny Panels**

Will contribute to the development of, and review the effectiveness of, the Council's Financial Strategy, MTP and annual budget.

1.6 **Panels or Committees**

Will ensure that all decisions within their remit are made within the resources allocated within relevant budgets and are consistent with achieving the Council's objectives. If they wish to make proposals that will require additional resources these will need to be subject to the Cabinet or Council making these available.

1.7 **Members and Employees**

Will contribute to the general stewardship, integrity and confidence in the Council's financial affairs and comply with this Code and any systems, procedures, or policies relating to the financial management of the Council.

Specifically, they shall bring to the attention of the Director of Commerce and Technology any act or omission that is contrary to the provisions of this Code or the maintenance of high standards of financial probity, and provide information or explanation on matters within their responsibility to him/her, the Monitoring Officer, Internal Audit Service or the Council's external auditors.

Any member or officer who is involved or who has an interest in a transaction between a third party and the Council shall declare the nature and amount, if material, as required by the Accounting Standards Body's Financial Reporting Standard on related party payments.

1.8 **The Director of Central Services, as Monitoring Officer** or, in his/her absence, the Head of Legal and Estates

Will report to the Council on any proposal, decision or omission that in his/her view is likely to result in the contravention of the law or any code of practice enacted under it, fails to comply with a legal duty, represents maladministration or is unjust, in accordance with section 5 of the Local Government and Housing Act 1989.

For these purposes he/she shall have full and unrestricted access to all Council assets, systems, documents, information, employees and Members.

1.9 **The Director of Commerce and Technology, as Chief Finance Officer** or, in his/her absence, the Head of Financial Services

Will be responsible for the proper administration of the Council's financial affairs, prescribe appropriate financial systems, protocols, procedures and policies, maintain an internal audit service and report to the Council in the event of a decision or action leading to unlawful expenditure, a loss or deficiency or an unlawful accounting entry (in accordance with section 151 of the Local Government Act 1972, section 114 of the Local Government Act 1988 and the Accounts and Audit Regulations).

Will be responsible for ensuring the final accounts are completed and published by the statutory dates and reporting the details of any material amendments specified by the external auditor to the Corporate Governance Panel.

For these purposes he/she shall have full and unrestricted access to all Council assets, systems, documents, information, employees and Members.

1.10 **The Head of Financial Services**

Will be responsible for detailed and operational aspects of the administration of the Council's financial affairs on behalf of the Director of Commerce and Technology, approving new financial systems and undertaking such duties as are set out in this Code.

1.11 **Chief Officers and Heads of Service**

Whilst Chief Officers will take ultimate responsibility for their employees' actions, the Council's management structure is based on Heads of Service or, in a few cases, Chief Officers taking prime responsibility for a service and its related budget.

The Manager responsible for a budget:

- may incur financial commitments and liabilities in accordance with this Code, the Council's Scheme of Delegation and resources allocated in budgets that have been released subject to Annex B. In particular they may make purchases of goods and services, subject to the requirements of the Code of Procurement, and employ staff, in accordance with the Officer Employment Procedure Rules. They will normally delegate appropriate elements of this responsibility to members of their staff.
- will be responsible for regular and effective monitoring and forecasting of the financial position relating to their services.
- will be responsible for proper financial and resource management and the prevention of fraud and corruption within the services and functions under their control.
- will determine the inherent risks, within their services, to the achievement of the Council's priorities and establish, maintain and document adequate systems of internal control and financial monitoring, in consultation with the Internal Audit Service, and ensure that relevant employees or Members are familiar with such systems.
- will be responsible for providing in a timely manner, the information necessary to ensure that the final accounts can be completed by the statutory deadlines.
- will be responsible for reviewing and varying fees and charges at least annually for services under their control, after consultation with the relevant Executive Councillor(s) and/or Chairman of the relevant Panel. In doing so, they shall:
 - ensure that relevant legislation is complied with, particularly where it specifies the charges to be made or constrains them in some way.
 - having regard to the charges of any alternative service providers with whom the Council is competing, seek to maximise income, net of applicable costs, as far as is possible without compromising the Council's stated corporate priorities and objectives.

- provide discounts where they are expected to stimulate demand and generate additional net income which would otherwise not be obtained and/or they are in the best interests of the service and its customers, particularly where they make the services available to those who could not otherwise afford them, provided that such discounts do not result in additional net cost to the Council.

1.12 **Internal Audit**

Will be responsible for providing an independent and objective opinion on internal control, risk management and governance systems. In accordance with its terms of reference it shall undertake audit reviews that focus on areas of greatest risk to the Council's control environment in accordance with a programme agreed annually by the Director of Commerce and Technology after consultation with Heads of Service.

For these purposes internal audit shall have full and unrestricted access to all Council assets, systems, documents, information, employees and Members.

2. **FINANCIAL AND SERVICE PLANNING**

2.1 **In the Summer - Overall Review**

The Cabinet shall review the financial performance of the Council in the previous year, compared with the annual budget, on the basis of a report prepared by the Head of Financial Services in conjunction with Heads of Service.

2.2 **In the Autumn - Financial Strategy**

The Cabinet, after consultation with the relevant Overview and Scrutiny Panel and any appropriate organisations or bodies, shall recommend to the Council a Financial Strategy which will be used to determine the overall financial limits within which the annual budget and MTP will be prepared.

2.3 **In the Winter - Annual Budget and MTP**

The Cabinet shall, after consultation with the relevant Overview and Scrutiny Panel, recommend to the Council an annual budget for the next financial year and a MTP for the succeeding four years, incorporating both capital and revenue expenditure, which is consistent with corporate and service strategies and the Financial Strategy. This budget will include the allocation of resources to individual services and capital projects.

2.4 **In the Spring - Service Financial Plans**

Following approval of the annual budget each Head of Service shall update their Service Plan(s) to incorporate a Service Financial Plan, which sets out variations in the level of fees and charges and how the resources allocated will be used to meet service objectives in the forthcoming year.

3. **CONTROLLING FINANCIAL PLANS**

3.1 **Financial Monitoring**

Heads of Service will be responsible for regular and effective monitoring and forecasting of the financial position relating to their services.

The financial performance of each service and capital project will be reviewed by Chief Officers quarterly on the basis of monitoring statements prepared by Heads of Service in conjunction with the Head of Financial Services.

The financial performance of the Council will be reviewed by Cabinet quarterly on the basis of monitoring statements prepared by the Head of Financial Services in conjunction with Heads of Service.

Heads of Service will ensure that relevant Executive Councillors are regularly informed of the progress in delivering approved MTP schemes.

3.2 **Commitments to Expenditure in Future Years**

No new commitment to expenditure beyond the current budget year may be made unless it;

- is consistent with the achievement of the Council's objectives and other relevant Strategies, **and**
- is compatible with the Council's MTP and Financial Strategy, **and, either**
- can be met from within currently approved and released resources. If it is to be funded from savings, these must be defined, permanent and not already earmarked for the achievement of the Council's savings targets, **or**
- is funded from a budget transfer in accordance with section 3.5 below.

If the Head of Service has any concerns about their proposal meeting these requirements they must consult the Head of Financial Services.

3.3 **Grants, Cost Sharing and s106 agreements**

Where a Head of Service proposes to take advantage of grants from other organisations, or some other form of cost sharing, whereby they will be able to deliver additional or improved services, consistent with their Service Plan, without creating any current or future commitment to additional net expenditure they may do so subject to:

- the funds being dependent upon a particular project or service being provided but, in the case of S106 agreements, the location or some other aspect is at the Council's discretion.
- informing the Head of Financial Services of the details
- consulting the relevant Executive Councillor(s) if the proposal exceeds £30,000 revenue or £50,000 capital in any one year.

A Head of Service may utilise sums of money received under S106, or equivalent, agreements where the nature and location of the item/service is specified. The Head of Financial Services should be informed of the details.

3.4 **Approvals for additional spending with a net impact**

Proposals for increases to the total allocated to a budget in the current year (Supplementary Estimates) and their impact in future years may be approved by the Cabinet subject to the revenue impact not exceeding £300,000 in aggregate in any financial year. The impact of such approvals will be included in appropriate financial reports within the budget/MTP process and, once Council have noted these items, the Cabinet's limit will be re-set. A transfer of a sum from capital to revenue will have a revenue impact and so will count as a request for additional spending.

In all other cases the approval of the Council will be required.

3.5 **Approvals for additional spending with compensating savings**

Proposals that require initial funding but will then result in net surpluses or savings that are at least sufficient to produce a break-even position will be supported in principle if they are:

- consistent with increasing the achievement of the Council's objectives and compatible with relevant Strategies.
- achievable within the Council's Financial Strategy.
- supported by a robust business case which includes a risk assessment.
- supported by the Chief Officers' Management Team.

The Director of Commerce and Technology may approve such a scheme following consultation with the relevant Executive Councillor for the service and the Executive Councillor for finance. The relevant budget(s) and MTP will be appropriately adjusted.

3.6 **Budget Transfers**

The Council has five main types of budgets:

- **Service Revenue Budgets**
Service budgets relate to the provision of services directly to the public and are defined as the lowest level included in the report to Council when the budget is approved. They include depreciation relating to capital assets and recharges from Management Units and Overhead Budgets.

- **Capital Scheme Budgets**
These provide the funding to complete a defined capital project and are likely to include some recharges from Management Units and Overhead Budgets. When the project is completed a charge for depreciation is made to the appropriate Service Revenue Budget.
- **Management Unit Budgets**
Management Unit budgets collect together the costs of employees, and their ancillary costs that relate to supporting services, before they are recharged to service budgets or overhead budgets based on the degree of benefit that is being received.
- **Overhead Budgets**
Overhead budgets collect together a relevant portion of management unit costs together with other related costs before they are recharged based on the degree of benefit that is being received. Examples include the costs of office provision or of the Printing Service.
- **Technical Budgets**
These include items such as interest on investments and the reversal of depreciation charges and will not be available for transfer to other budgets except in meeting the specific purpose for which they were established.

Whilst most budgets will reflect a net cost, some will identify an expected surplus.

The transfer of resources within, or between, any of the types of budgets is supported in principle when it will make it more likely that the Council will achieve its service objectives and targets or enhance value for money. There do, however, need to be some limitations for effective financial management and to ensure that Executive Councillors, Cabinet and Council are aware of, and involved in, the more significant changes or where there is a financial implication.

The limitations fall into three categories. The first relates to Technical Budgets and recharges and Annex A details the budget transfers that will not be permitted in relation to them. The second relates to budgets for pay, national insurance and pension contributions and Annex B explains why and how budget transfers relating to these items are limited. Finally, the required involvement of Members is defined below.

The Council's management structure is based on Heads of Service or, in a few cases, Chief Officers taking responsibility for these budgets.

The **Manager responsible for a budget** may approve a budget transfer within and between the budgets they are responsible for providing it is:

- Consistent with increasing, or at least maintaining the achievement of service objectives and compatible with the Council's Financial and other relevant Strategies.
- Not to or from a Technical Budget or a recharge or from a pay, NI or pension contributions budget unless permitted by Annexes A or B.

- Not from capital to revenue
- Supported by their Chief Officer
- Notified to the Head of Financial Services
- Within the following limits if between budgets (there shall be no financial limits within a budget):
 - Revenue to revenue £50k
 - Revenue to capital £50k
 - Capital to capital £50k

Similarly, a **Chief Officer** may, subject to the same criteria, approve budget transfers between any budgets that are their responsibility or the responsibility of their staff.

The **Chief Officers' Management Team** may, subject to the same criteria except for the enhanced limits shown below, approve budget transfers between any budgets:

- Revenue to revenue £100k
- Revenue to capital £100k
- Capital to capital £100k

Cabinet may approve budget transfers of up to:

- Revenue to revenue £250k
- Revenue to capital £250k
- Capital to capital £250k

Any previous transfers in the same financial year relating to those budgets shall be aggregated for determining whether the limit has been exceeded.

In all other cases the approval of the Council will be required.

3.7 **Re-phasing of Expenditure**

The re-phasing of expenditure and consequent transfer of budget between years may be made by the relevant Head of Service, following consultation with the Head of Financial Services, providing that it is consistent with service objectives and compatible with the Council's Financial and other relevant Strategies. Revenue expenditure can only, normally, be rephased to later years if it relates to a specific project with identified funding in the current year, that has been delayed for reasons outside of the control of the relevant Head of Service. The amount is further limited by the net underspending on that Head of Service's budgets in the current year.

3.8 **Price Changes**

Allocation to individual Budgets of any provision for inflation or other purposes will be determined by the Head of Financial Services.

3.9 **Project Appraisals**

All proposals for changes to the MTP will require an explanatory appraisal, unless the Head of Financial Services considers that the item is of a technical nature. Appraisals for new and modified schemes must be made available to

Members, via the Council's intranet, by the date on which the related reports are circulated.

4. **CASH AND CREDIT MANAGEMENT**

4.1 **Banking**

The Director of Commerce and Technology is responsible for all Council banking arrangements and shall maintain (an) account(s) with (an) appropriate bank(s) with a credit rating equivalent to 'Long Term AA' or better in the data published by Fitch IBCA. All transactions involving income or expenditure shall be dealt with through the Council's bank account(s).

4.2 **Income**

All employees receiving money (including cash, cheques, credit card payments etc.) must comply with the relevant procedures issued by the Head of Customer Services to ensure that the sums are properly recorded, receipted and banked.

The Head of Financial Services shall manage a debt collection service on behalf of the Council and all sums due must be registered by raising an invoice on the Council's Financial Management System or some other system or procedure approved by the Head of Financial Services.

4.3 **Loans**

All borrowing will be undertaken by the Head of Financial Services in accordance with the Code of Practice for Treasury Management in Local Authorities and the Prudential Code for Capital Finance in Local Authorities, both published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Council's Treasury Management Policy and Annual Strategy Statement.

A report shall be submitted to the Cabinet prior to the start of each financial year so that it can recommend to the Council the maximum borrowing limits for the forthcoming financial year.

4.4 **Investments**

Investments shall be made by the Head of Financial Services in accordance with the Prudential Code for Capital Finance in Local Authorities, Government guidance on Local Government Investments, the Council's Treasury Management Policy and Annual Strategy Statement, either directly or by utilising external fund managers.

Periodic reports shall be submitted to the Cabinet on Treasury Management and by 31st July each year an annual report shall be submitted on activities in the previous financial year.

4.5 **Payments**

Payments due to external suppliers of goods and services must be made through the Council's financial management system and in accordance with the payments procedures of that system, as determined by the Head of Financial Services. Payments shall be made direct to the supplier's bank account wherever this is practical.

5. ACCOUNTING PROCEDURES

5.1 The Council will follow the best practice guidance contained in the Accounting Code of Practice and other relevant publications produced by CIPFA in the preparation and maintenance of its accounts.

5.2 **Statement of Accounts**

The annual Statement of Accounts shall be presented to the Corporate Governance Panel for approval within the prescribed statutory timescale.

5.3 **Records**

Each Head of Service is responsible for maintaining records of financial transactions and commitments and employee time, in forms agreed with the Head of Financial Services, and for ensuring that all financial transactions are properly recorded in the appropriate financial period and to an appropriate account within the Council's Financial Management System.

5.4 **Retention of Documents**

Documents required for the verification of accounts, including invoices, shall be retained in a retrievable format for any statutory period, or otherwise for six years or such other time that is specified by the Head of Financial Services.

5.5 **Contingent Liabilities**

Any Officer who is aware of a material and outstanding contingent liability shall notify the Head of Financial Services, who shall include details in the Council's accounts or in a Letter of Representation to be presented to the Council's external auditors in respect of those accounts.

5.6 **Stock**

Where a formal stock account is used in connection with any service, the relevant Head of Service shall ensure that a certified stock-take is carried out in the last week of March each year, and that records of receipt and issue of all stock are maintained throughout the year in a manner agreed with the Head of Financial Services.

5.7 **Insurance**

The Head of Financial Services shall obtain insurance to protect the Council or minimise its potential losses from risks including those to employees, property, equipment and cash. Any decision not to insure significant risks must be based on a detailed risk assessment.

5.8 **Write-off of Irrecoverable Debts**

The Head of Customer Services, or in his/her absence the Head of Financial Services, is authorised to write-off debts with an individual value of up to £4,000, or of a greater amount after consultation with the Executive Councillor responsible for finance, having taken appropriate steps to satisfy himself/herself that the debts are irrecoverable or cannot be recovered without incurring disproportionate costs.

A summary report detailing debts written-off shall be submitted to the Cabinet quarterly.

6. **ASSETS**

6.1 **Definition**

An asset is an item of land, building, road or other infrastructure, vehicle or plant, equipment, furniture and fittings or information and communications technology, (hardware and software) with a life exceeding one year.

6.2 **Capital Expenditure**

The purchase or improvement of any asset will normally be treated as capital expenditure. However, expenditure of less than £10,000, or £5,000 in the case of vehicles, plant and equipment, will not normally be treated as capital expenditure unless the Head of Financial Services considers it is in the Council's interests to do so.

6.3 **Asset Register**

The Head of Legal and Estates will, after consultation with the Head of Financial Services, determine the procedures for maintaining the Asset Register, including the information that needs to be recorded. Heads of Service will provide the prescribed information for all relevant assets relating to their services in accordance with those procedures.

6.4 **Acquisition**

The purchase of assets must be in accordance with the procedures specified in the Council's Code of Procurement, having regard to the value of the asset.

The relevant Head of Service shall inform the Head of Financial Services within 10 working days of the acquisition of an asset which meets the definition for capital expenditure.

6.5 **Leases**

Finance and operating leases are to be used only if they are in the Council's financial interest and with the approval of the Head of Financial Services.

6.6 **Control of Assets**

Each Head of Service is responsible for ensuring that the assets relating to their services are properly safeguarded, managed and maintained, and used only to achieve the Council's objectives. This will include establishing and maintaining appropriate security, control systems and records. They will need to consult relevant officers in relation to specialist items and, where vehicles are concerned, the officer holding the Council's Operating Certificate who has specific statutory responsibilities.

6.7 **Disposal of Assets**

The sale of assets must be in accordance with the procedures specified in the Council's Code of Procurement, having regard to the current value of the asset.

The relevant Head of Service shall inform the Head of Financial Services within 10 working days of any disposal of an asset included in the Asset Register.

6.8 **Valuations**

Assets will be re-valued at five yearly intervals by an appropriately qualified person according to the type of asset. Where appropriate, interim valuations will be recorded on the Asset Register by reference to a suitable index.

TECHNICAL BUDGETS

The following budgets cannot be reduced by officers in order to permit extra expenditure on another budget except where this is part of the specific purpose for which they were established.

- Any contingency, unless it complies with the approved rules for the use of the general contingency or is an adjustment to reflect the technical application of the contingency (e.g. allocation of inflation from an inflation contingency)
- Capital charges
- Commutation Transfer
- Pension Liabilities (as opposed to pension contributions)
- Interest paid
- Interest received
- Any recharge or allocation from a management unit or overhead account.

BUDGETS FOR PAY

(Pay is deemed to include, NI and Pension Contributions for the purpose of this annex)

1. The Council does not provide for a 100% of the costs of its employees. This is because experience shows that it is generally impossible to avoid gaps when people leave and are replaced. It is also common for the new employees to be on a lower point in the grade than the person who left.
2. Obviously it is unlikely that each pay budget will be equally affected in any particular year and therefore, to simplify budget monitoring, each pay budget includes 100% of employee costs but there is a negative, centrally held, contingency that represents the saving that the Council's overall budget is based on. This contingency is based on 2.5% of the pay for most services less a sum for recruitment costs (advertising and interview expenses).
3. Therefore no use of savings, virement or rephasing relating to a pay budget, whether temporary or permanent, will be permitted unless this annex is complied with.

Employees Leaving

4. In order to maximise the likelihood of achieving this saving a Head of Service must, whenever an employee gives their notice, determine whether:
 - a. the post is kept vacant for a period before a decision is made,
 - b. the post can be deleted,
 - c. a restructuring should be proposed,
 - d. the post should be filled at the end of a defined period,
 - e. it should be filled as soon as possible,
 - f. it should be filled as soon as possible and temporary employees or consultants are engaged to provide cover in the meantime.
5. In deciding on which option to take the Head of Service should take appropriate HR and financial advice. The decision must include consideration of any need for temporary or permanent regradings, acting up allowances, honoraria, employees or consultants. Allowance must also be made for an appropriate saving, to help achieve the contingency budget, as determined by the Head of Financial Services.
6. Heads of Service will also need to liaise with HR to arrange recruitment advertising and ensure that the recruitment arrangements comply with the process agreed by Employment Panel.

Other Adjustments and Virement

7. If any other proposal is made to transfer (in accordance with paragraph 3.6) or rephrase (in accordance with paragraph 3.7) a pay budget, a budget reduction, as determined by the Head of Financial Services, shall be made in order to allow the contingency budget to be reduced.

Exceptions

8. If the Head of Service can demonstrate to their Director the **critical** nature of maintaining immediate service cover in certain key work areas then the requirements of paragraph 4 above will not apply and the saving/budget reduction may be reduced or nil. Examples where this might apply would be if vacancies would result in insufficient employees with the necessary abilities or skills to run refuse rounds or to safely open swimming pools. Agency, or equivalent employees, must be available with the necessary skills and/or abilities.

9. If the Head of Service can demonstrate that a **critical backlog** of work has resulted from continuing vacancies such that the service to the public is seriously compromised or net additional costs would become unavoidable the saving/budget reduction may be reduced. Examples where this might apply would be dealing with benefit applications or collecting council tax income. Agency, or equivalent employees, must be available with the necessary skills and/or abilities.

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**CORPORATE GOVERNANCE: ASSURANCE FRAMEWORK AND
ANNUAL GOVERNANCE STATEMENT
(Report by the Head of Policy & Strategic Services)**

1. INTRODUCTION

1.1 The purpose of this report is two fold; firstly to seek the Panel's endorsement of an assurance framework to support good governance, particularly the governance statement; and secondly to report on action taken to date in respect of issues identified in the Annual Governance Statement.

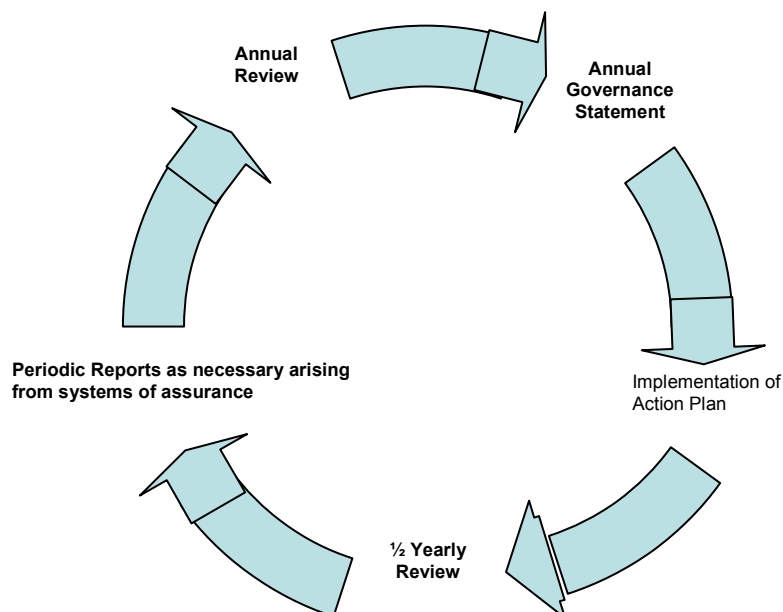
2. BACKGROUND

2.1 In September 2007 the Panel adopted a revised Code of Governance which sets out and describes the way in which the Council carries out its functions and complies with the principles of openness, integrity and accountability. The principles in the Code apply to elected Members and employees alike, and they are reflected in the Council's working procedures and processes in the interests of establishing and maintaining public confidence.

2.2 To ensure that the Council is meeting the code and delivering good governance an annual cycle is in place which includes:

- an annual review of governance arrangements;
- preparation of an Annual Governance Statement (AGS);
- implementation of an action plan associated with the AGS;
- a half yearly review of progress against the action plan; and
- continued reference to systems and reporting as necessary to provide assurance and support for good governance.

2.3 This cycle is designed to reflect good practice in delivering a framework of assurance for Members and employees in terms of governance arrangements and to help to ensure accountability and transparency for local people and other stakeholders such as the Council's external auditors and Government inspectors.



3. ASSURANCE FRAMEWORK

3.1 **Appendix A** sets out - against the six principles of the Code of Governance, the supporting principles and specific requirements - the sources of assurance which support the Council's governance arrangements.

3.2 As the risk register update report elsewhere on the agenda explains, a great deal of work has been undertaken on making sure that the risk register is robust. The mapping of the Council's strategic objectives to the risks identified is underway and is expected to be completed by August 2008.

3.3 The risk software is being updated with details of the current internal and external sources of assurance and the assurance level for each risk and risk control. An example is provided at Annex B. This information will also support the Council's governance arrangements.

4. HALF YEARLY REVIEW OF GOVERNANCE ACTION PLAN

4.1 At the September meeting the Panel considered the Annual Governance Statement which identified issues to be addressed over the next year to help improve further the Councils governance arrangements. Annex C identifies these issues and progress to date.

5. RECOMMENDATIONS

5.1 The Panel are recommended to:

- (a) endorse the assurance framework as described in section 3 and associated appendices; and
- (b) note progress to date in the achievement of the action plan supporting the Annual Governance Statement.

BACKGROUND PAPERS

Code of Governance
Annual Governance Statement

Contact Officer:

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Focusing on the purpose of the Council and on outcomes for the community; and creating and implementing a vision for Huntingdonshire

Supporting Principles	Specific requirements	Sources of Assurance
Exercising strategic leadership by developing and clearly communicating the Councils purpose and vision and its intended outcome for citizens and service users.	Develop and promote the Council's purpose and vision.	Growing Success vision and outcomes
	Review on a regular basis the Councils vision for the local area and its implications for the Councils governance arrangements	Reports to Cabinet, Overview & Scrutiny panels and Governance code.
	Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties.	Partnership framework. "Health Check".
	Publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance.	Communications Plan used as a basis for Corporate and service planning
Ensuring that users receive a high quality of service whether directly, or through partnership or by commissioning.	Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.	Growing Success - High Quality services. Corporate plan. Annual service plans. Medium-term financial strategy.
	Put in place effective arrangements to identify and deal with failure in service delivery.	Complaints procedure.
Ensuring that the Council makes best use of resources and that tax payers and service users receive excellent value for money.	Decide how value for money is to be measured and make sure that the Council or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions.	Use of Resources judgements.

Members and officers working together to achieve a common purpose with clearly defined functions and roles

Supporting Principles	Specific requirements	Evidence/source documents
<p>Ensuring effective leadership throughout the Council and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function. Ensuring that a constructive working relationship exists between members and employees and that the responsibilities of members and employees are carried out to a high standard.</p>	<p>Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the Council's approach towards putting this into practice.</p>	<p>Constitution. Schedule of executive responsibilities Record of decisions and supporting materials.</p>
	<p>Set out a clear statement of the respective roles and responsibilities of other members, members generally and of senior employees. Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the Council, taking account of relevant legislation, and ensure that it is monitored and updated when required.</p>	<p>Role of overview & scrutiny (Part 2 Article 6). "Signpost" – a guide to members' responsibilities. Scheme of Delegation included in the Constitution</p>
	<p>Make a chief executive or equivalent responsible and accountable to the Councils for all aspects of operational Management.</p>	<p>Functions of chief executive and head of paid service defined in the constitution</p>
	<p>Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.</p>	<p>To be included in constitution</p>
	<p>Make a senior officer (the S151 officer) responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper</p>	<p>Functions of Chief Finance Officer defined in constitution</p>

	financial records and accounts, and for maintaining an effective system of internal financial control.		
	Make a senior officer (the Monitoring Officer) responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.		Functions of Monitoring Officer defined in the constitution
Ensuring relationships between the Council, its partners and the public are clear so that each knows what to expect of the other.	Develop protocols to ensure effective communication between members and employees in their respective roles.		Protocol on Member/Employee Relations included in the constitution
	Set out the terms and conditions for remuneration of members and employees and an effective structure for managing the process, including an effective remuneration panel (if applicable).		Members Allowances Scheme included in constitution Scheme reviewed by Independent Remuneration Panel every 4 years.
	Ensure that effective mechanisms exist to monitor service delivery.		Employees have a performance review/appraisal. Quarterly Performance reports
	Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.		Community Strategy. Growing Success and Quarterly Performance reports
	When working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Council. When working in partnership: <ul style="list-style-type: none"> ensure that there is clarity about the legal status of the partnership ensure that representatives of organisations both understand and make clear to all other partners the extent of their Councils to bind their organisation to partner decisions. 		Partnership Frameworks and results of reviews.

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Supporting Principles	Specific requirements	Evidence/source documents
Ensuring members and employees exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.	Ensure that the Council's leadership sets a tone for the organisation by creating a climate of openness, support and respect.	Constitution - Members Code of Conduct Last review December 2006 by Corporate Governance Panel.
	Ensure that standards of conduct and personal behaviour expected of members and employees, of work between members and employees and between the Council, its partners and the community are defined and communicated through codes of conduct and protocols.	Constitution. Members'/employees' code of conduct
	Put in place arrangements to ensure that members and employees of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.	Register held by Monitoring Officer. Annual reminders issued to members.
Ensuring that organisational values are put into practice and are effective.	Develop and maintain shared values including leadership values for both the organisation and employees reflecting public expectations, and communicate these with members, employees, the community and partners.	Notification to all employees and registers held for registrations under the Code. Pro formas and explanations posted on intranet. Codes of conduct.
	Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice.	Constitution. Regular and ongoing training for members. Codes of conduct.
	Develop and maintain an effective Standards Committee.	Standards Committee in place
	Use the Council's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council.	Constitution and Organisational Key values and Behaviours
	In pursuing the vision of a partnership, agree a	Partnership framework.

	set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.	
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Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.	Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall and that of any organisation for which it is responsible. Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based. Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.	Constitution. Part 5 of constitution- Cabinet and Overview & Scrutiny procedure rules & record of executive decisions. Constitution (Part 5) Cabinet procedure Overview and Scrutiny rules Record of executive decisions Members' and employees Code of Conduct included in constitution.
	Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee	Member training in place.
	Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.	Complaints procedure.
Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.	Ensure that those making decisions whether for the Council or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications	Member training in place with personal records of training attended. Skills audit of members undertaken.
	Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of	Report template. Record of decision making and supporting materials.

	<p>decision making and used appropriately.</p> <p>Ensure that risk management is embedded into the culture of the Councils, with members and managers at all levels recognising that risk management is part of their jobs.</p> <p>Ensure that effective arrangements for whistleblowing are in place to which employees and all those contracting with or appointed by the Council have access</p>	<p>Risk management strategy. Risk Register. Training programme. Whistleblowing Policy and Procedure</p>
<p>Ensuring that an effective risk management system is in place.</p>	<p>Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities.</p>	<p>Constitution. Report template</p>
<p>Using legal powers to the full benefit of the citizens and communities in their area.</p>	<p>Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law.</p>	<p>Constitution. Report template</p>
	<p>Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision-making processes.</p>	<p>Constitution. Report template</p>

3.6 Developing the capacity and capability of members and officers to be effective

	<p>Ensure that the statutory employees have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Councils.</p>	<p>Members and employees Training programmes</p>
<p>Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.</p>	<p>Assess the skills required by members and employees and make a commitment to develop those skills to enable roles to be carried out effectively.</p>	<p>Members training and development plan. Appraisal system.</p>
	<p>Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.</p>	<p>Training and development plan for members.</p>

	<p>Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs.</p> <p>Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council.</p> <p>Ensure that career structures are in place for members and employees to encourage participation and development.</p>	<p>Performance management system and reports</p> <p>Consult and Engagement strategy.</p> <p>Training and Development Plan.</p>
<p>Encouraging new talent for membership of the Council so that best use can be made of individuals' skills and resources in balancing continuity and renewal.</p>		

3.7 Engaging with local people and other stakeholders to ensure robust public accountability

<p>Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.</p>	<ul style="list-style-type: none"> • Make clear to themselves, all employees and the community to whom they are accountable and for what. • Consider stakeholders to whom the Council is accountable and assess the effectiveness of the relationships and any changes required. • Produce an annual report on the activity of the scrutiny function. 	<p>Community Strategy.</p> <p>O & S Annual report published on internet</p>
<p>Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Councils, in partnership or by commissioning</p>	<ul style="list-style-type: none"> • Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively • Hold meetings in public unless there are good reasons for confidentiality <p>Ensure that arrangements are in place to enable the Councils to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish</p>	<p>Consultation and Engagement Strategy</p> <p>Terms of reference minutes, etc.</p> <p>Consultation and Engagement Strategy</p>

	<p>explicit processes for dealing with these competing demands.</p>	
	<p>Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a Result.</p>	<p>Consultation and Engagement Strategy. Partnership Framework. Communications and Marketing Strategy.</p>
	<p>On an annual basis, publish a performance plan giving information on the Council's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.</p>	<p>Annual report Growing Success Statement of accounts</p>
	<p>Ensure that the Council as a whole is open and accessible to the community, service users and its employees and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.</p>	<p>Constitution article 3 part 2 and access to information procedure rules</p>

Head of HR and Payroll Services

Corporate Objective : To improve our systems and practices

Risk Ref	Risk Title	Residual Risk Priority (RL x RI)	Risk Control	Assurance Source	Assurance Given	Assurance Type	Assurance Level	Assurance Date
16	A member of the public /Council employee is seriously injured or killed due to the Council not providing its employees with either a safe working environment or sufficient and adequate training with regard to the tasks that it requires to be carried out	2 Very High	Health and Safety issues are discussed annually Activity Managers are all trained in Health and Safety Management Health and Safety inspections	Internal Audit Review	Yes	Independent (Audit / 3rd party)	Adequate	6/3/08
33	Quarterly review of all Health and Safety risk assessments and incidents - related action plans are implemented and			Internal Audit Review	Yes	Independent (Audit / 3rd party)	Adequate	6/3/08
	Induction training in Health and Safety Different training courses available. risk assessments			Internal Audit Review	Yes	Independent (Audit / 3rd party)	Adequate	6/3/08

Notes:

Assurance Type available : Independent (Audit / 3rd Party) or Management

Assurance Levels available:

Substantial
Adequate
Limited
None

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Issues identified in AGS	Progress to date
<p>Developing and implementing the Partnership framework</p>	<p>A health check approved Evaluation of strategic partnerships completed. and a revised procedure established.</p> <p>A database of all HDC partnerships being developed</p>
<p>Budget monitoring processes</p>	<p>Processes have been refined and a formal risk assessment will be completed before the end of March 2008 to identify future priorities for further improvement.</p> <p>Service Managers are taking a closer interest in their budgets leading to variances being identified earlier in the year.</p>
<p>Reporting on planned savings and efficiency gains</p>	<p>Planned savings are deducted from relevant budgets so that monitoring is mainstreamed into budget monitoring. The efficiency savings target by March 2008 is £1.54M, by the end of 2006/07 £1.45M had been achieved, and the remaining £86k will be identified by the end of the year</p>
<p>Monitoring compliance with constitution</p>	<p>Inclusion of explanatory information in employee induction. Introduction of report checklist for committee reports which requires authors to certify compliance with constitution. Attendance at Divisional team meetings to highlight constitutional requirements. Programme of regular updates in Team News to be implemented</p>
<p>Ensuring capacity is in place to enable sustained service improvement while managing major projects</p>	<p>Corporate training programme (CTP) in place, supplemented by specific professional/management training identified from annual performance development reviews. Successful MTP bid will increase the CTP from 2008/09 to cater for the new skills that will be required. Where appropriate additional resources have been available to support capacity while implementing new rules, for example, The Head of Technical Services has relinquished his Divisional responsibilities and now focuses on the project management of the new accommodation and strategic facilities. A new role of Head of Environmental Management has been created which assumes the divisional management responsibilities of the former Head of Technical Services and provides the corporate lead on environmental programme</p>
<p>Developing consultation and engagement with local</p>	<ul style="list-style-type: none"> o Consultation and Engagement strategy developed and adopted by Cabinet in Feb 08

Issues identified in AGS communities	Progress to date
Improving the overall Assurance opinion on the System of Internal Control	<ul style="list-style-type: none"> o Annual consultation exercise with local residents to be undertaken in March 2008
Put in place effective arrangements to identify and deal with failure in service delivery	<p>%age of audit actions introduced on time has not substantially increased No change expected to the Audit & Risk Managers assurance opinion – limited assurance.</p> <p>The corporate complaints system will be reviewed during 2008/09.</p>
Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained	Ongoing

**DATA QUALITY: AUDITORS REPORT 2006/ 07
(Report by the Head of Policy and Strategic Services)**

1. INTRODUCTION

- 1.1** The purpose of this report is to present to the Panel an Auditor's Report on the Council's Data Quality arrangements.

2. BACKGROUND

- 2.1** The quality of data is an important factor in the accuracy of judgments about the Council's systems of governance and performance management. This is recognized both by the Council, which has adopted a strategy to maintain and improve the quality of data, and by external assessors such as the Audit Commission.

- 2.2** The Council's Data Quality Strategy has a number of purposes and the following objectives:

- Ensure that information in use is of high quality, consistent, timely, comprehensive and held securely and confidentially.
- Put in place arrangements at senior level to secure the quality of data that we use to manage our service and demonstrate our performance.
- Make clear what is expected from employees and contractors in terms of the standards of data quality.
- Put in place systems, policies and procedures to enable the highest possible data quality, particularly where information is shared with partners.
- Ensure that we put in place the right resources, and in particular, have the right people with the right skills, to ensure we have timely and accurate performance information.
- Ensure that we have the right controls to ensure that the Council meets what is expected of us.

- 2.3** Data quality is one of the key lines of enquiry (KLOE) in the Use of Resources Assessment which is undertaken by our external auditors – Grant Thornton – on behalf of the Audit Commission. This part of the assessment focuses on the national performance indicators, which are used to judge our relative performance under the current Comprehensive Performance Assessment and will become a key feature of the new Comprehensive Area Assessment.

- 2.4** Currently considerable weight is attached to published performance indicators, for example, in the Direction of Travel Statement which forms part of the Annual Audit and Inspection Letter to be considered as a separate item on the Panel's agenda.
- 2.5** The Auditor's work on data quality and performance information supports this reliance on performance indicators in a variety of assessments and this is the second year in which work on data quality has been undertaken. The attached report has been prepared by the Auditor following extensive discussion with Officers of the Council. The recommendations, management response and allocation of responsibility for actions under the plan have been jointly agreed. Monitoring of achievement against this plan will be reported both through the Council's Comprehensive Performance Monitoring Framework and in specific reports to the Panel, in accordance with the 'Assurance Framework' which the Council has adopted to support governance arrangements.
- 2.6** A representative of the Council's Auditor will be available at the meeting to present their report and comment on any issues raised by members of the Panel.

3. RECOMMENDATION

- 3.1** The panel is requested to note the Auditor's report on data quality for 2006/07 and endorse the management action set out in response to it.

BACKGROUND PAPERS

HDC Data Quality Strategy
Report by Grant Thornton, Data Quality Audit Report 2006/07 March 2008

Contact officer: **Ian Leatherbarrow, Head of Policy & Strategic Services**
☎ 01480 388005



Huntingdonshire District Council
Data Quality Audit Report 2006/07

March 2008

Corporate Governance Panel
Huntingdonshire District Council
Pathfinder House
St Mary's Street
Huntingdon
Cambridgeshire PE29 3TN

11 March 2008

Dear Sirs

HUNTINGDONSHIRE DISTRICT COUNCIL - DATA QUALITY AUDIT REPORT 2006/07

This Data Quality Audit Report 2006/07 has been prepared in order to record the key matters arising from our audit. We have discussed our findings with the Council's Data Quality Lead, Howard Thackray, although the views expressed are those of Grant Thornton. The scope and objectives of this report are further detailed in Section 2.

We would like to take this opportunity to thank the Data Quality Team and other staff and directors for the co-operation and assistance afforded to us during the course of our audit.

Yours faithfully

Grant Thornton UK LLP

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Appendix A Action plan

1 Background

Public bodies are accountable for the public money they spend: they must manage competing claims on resources to meet the needs of the communities they serve, and plan for the future. The financial and performance information they use to account for their activities, both internally and externally, to their users, partners, commissioners, government departments and regulators, must be appropriate for these purposes, providing the level of accuracy, reliability and consistency required.

Considerable weight is attached to published performance indicators as the basis for reducing the burden of regulation and awarding freedoms and flexibilities. This has made reliable performance information, and the quality of the underlying data, significantly more important. Regulators and government departments need to be assured that reported information reflects actual performance. This will provide confidence that they are focusing on the key areas for improvement.

Auditors' work on data quality and performance information supports the Commission's reliance on performance indicators in its service assessments for comprehensive performance assessment (CPA). This delivers the commitment to reduce significantly the level of service inspection required.

Introducing the comprehensive area assessment (CAA) framework from 2009 will make reliable performance information even more important. The CAA will place greater emphasis on assessments that are proportional to risk. Councils will also be required to use information to reshape services, and to account to the public for performance.

The responsibility for securing the quality of the data underpinning performance information can only rest with the bodies that collect and use the data. Producing data which is fit for purpose should not be an end in itself, but an integral part of a body's operational, performance management and governance arrangements. Organisations that put data quality at the heart of their performance management systems are most likely to be actively managing data in their day-to-day business and turning that data into reliable information.

This is the second year in which we have undertaken work on data quality in local government. Our work is complemented by the Audit Commission's paper, *Improving information to support decision making: standards for better quality data*. This paper sets out standards, for adoption on a voluntary basis, to support improvement in data quality.

The expected impact of our work on data quality is that it will drive improvement in the quality of local government performance information, leading to greater confidence in the supporting data on which performance assessments are based.

2 Scope and Objectives

The Audit Commission has developed a three-stage approach to the review of data quality comprising:

All three stages of the review have been carried out at Huntingdonshire District Council (the Council).

Stage 1	<p>Management arrangements A review to determine whether proper corporate management arrangements for data quality are in place, and whether these are being applied in practice. The findings contribute to the auditor's conclusion under the Code of Audit Practice on the council's arrangements to secure value for money (the VFM conclusion).</p>
Stage 2	<p>Analytical review An analytical review of 2006/07 BVPI and non-BVPI data, and selection of a sample for testing based on risk assessment.</p>
Stage 3	<p>Data quality spot checks In-depth review of a sample of 2006/07 PIs, all of which come from a list of specified BVPIs and non-BVPIs used in CPA, to determine whether arrangements to secure data quality are delivering accurate, timely and accessible information in practice.</p>

3 Conclusions

standards set by the Audit Commission. There was some evidence that the Council is improving its ability to compile data on a 'right first time' basis.

- People & Skills - The Council now meets the minimum standard for communicating data quality responsibilities to staff, and recent work on job descriptions provides a foundation for further improvement.
- Data Use - A high standard of data use in a strategic context was maintained. Improvements were noted in the standard of audit trail and the effectiveness of checking by management of national data returns.

Stage 1 – Management arrangements

The council's overall management arrangements for ensuring data quality demonstrated adequate performance in respect of the financial year 2006/7. The Council has a long-term focus on improving data quality and have introduced a number of significant improvements, the full benefit of which will be realised in future years.

Key areas of improvement in the year:

- Governance & Leadership - The Council has consolidated its performance to an adequate standard and we will expect this to improve significantly in 2007/08 with the implementation of the Data Quality strategy. We noted that lines of accountability for data quality were starting to embed.
- Policies & Procedures - Some improvements have accrued from a change to the Audit Commission criteria regarding access to procedure notes and updates.
- Systems & Processes - The basic level of systems security surrounding the CORVU system established in 2005/06 now meets the minimum

Key areas for development:

- Governance & Leadership - Greater clarification of strategic leadership roles and systems of governance and review for data quality would strengthen performance in this area.
- Policies & Procedures - Recent developments in the Council's data systems will need to be backed by up to date systems documentation in order to maintain the level of performance in 2007/08.
- Systems & Processes - There was some evidence that work has been done to strengthen controls over data shared with partner organisations, but this has yet to be fully embedded.

- People & Skills - A formal training programme to support the new data quality strategy will strengthen the level of performance in this area.
- Data Use - Improved high level governance and review, e.g. a formal signing off process for all returns, would improve the process.

An action plan has been agreed with the council (see Appendix) to address the issues arising from this review.

Stage 2 – Analytical review

Our analytical review work at stage 2 identified that all of the PI values reviewed fell within expected ranges.

Stage 3 – Data quality spot checks

Our review and spot check of BVPIs 199a-c and BVPI 214 found that these indicators were fairly stated.

4 Management Arrangements (Stage 1)

Overall, the council's corporate arrangements for data quality are demonstrating adequate performance.

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Within the overall score, the Council achieved adequate performance in all five key lines of enquiry (KLOE) set by the Audit Commission. These are:

- Governance & Leadership (KLOE 1)
- Policies (KLOE 2)
- Systems & Processes (KLOE 3)
- People & Skills (KLOE 4)
- Data Use & Reporting (KLOE 5)

For 2007/08 the Council should look to embed recent developments and improve the arrangements in place at the Council to secure good data quality (see recommendations).

Governance and Leadership

The Council has made progress in the following areas:

KLOE 1.1 - Responsibility for data quality is clearly defined.

- It is clear from the 2007/08 data quality strategy and action plan that accountability arrangements are developing; and
- Through the Corporate plan and the publication of the draft data quality strategy, the Council has demonstrated a clear corporate commitment to data quality.

KLOE 1.2 - The council has clear data quality objectives and these are formally documented.

- The Council has drafted a Data Quality Strategy for 2007-08. This provides evidence of a strategic approach, sets objectives and outlines a clear plan for improving data quality in the organisation.

KLOE 1.3 - The council has effective arrangements for monitoring and review of data quality.

- Monitoring and review of data quality in the Council is not formally defined. We noted that Heads of Service are in the process of developing a programme of review and monitoring, starting with key data from their quarterly reports, due for implementation in Autumn 2007; and

- The corporate planning process provides evidence that data quality checks are the responsibility of a named officer providing some linkage to the Council's corporate objectives.
- The ongoing development of arrangements for the monitoring and review of data quality within the Council should be closely monitored to ensure that this is delivered within a reasonable timescale.

However, the Council needs to focus on the following areas for improvement:

- Corporate leadership arrangements for Data Quality are not explicitly addressed in the 2007/08 DQ Strategy. Formal leadership responsibilities for data quality should be allocated to a member of the senior management team;
- The Council has been able to provide limited evidence of data quality issues being routinely reported to and considered by those charged with governance. The Council should consider the extent to which this takes place and how this can be evidenced.
- Data Quality responsibilities are starting to be incorporated into job descriptions, but this is not fully embedded throughout the organisation;
- Data quality is considered as part of corporate risk management process but is not fully developed and managed as a key risk. The risk and potential impact of data error for individual data performance indicators and returns has not been fully assessed; and

Policies

The Council has made progress in the following areas:

KLOE 2.1 - Organisational policy for data quality has been defined and is supported by a current set of operational procedures and guidance.

- The council has maintained adequate level of performance through having approved data quality policies in place at operational level, with some guidance documents in place. We note that the draft Data Quality Strategy for 2007-08 includes corporate data quality policies.

KLOE 2.2 - Policies and procedures are followed by staff and applied consistently throughout the organisation.

- The Council has a good level of back office support for staff in regard to data quality.

However, the Council needs to focus on the following areas for improvement:

- Documentation and guidance for data quality systems are not comprehensive and will need to be fully developed and embedded to support the new Data Quality strategy in 2007/08.

Systems and Processes

The Council has made progress in the following areas:

KLOE 3.1 - There are appropriate systems in place for the collection, recording, analysis and reporting of the data used to monitor performance.

- Progress has been made on resolving control weaknesses in the CORVU performance systems which were identified by internal audit. The Council recognises the need to be “right first time”, and work continues to achieve this; and
- Data handling arrangements are not yet fully integrated into business planning and day-to-day management although management have stated that this will follow implementation of the revised corporate plan for 2007/08.

KLOE 3.2 - The council has controls in place to ensure that information systems produce the quality of data needed to report on performance and to keep top management aware of necessary action in relation to data quality.

- Formalised control testing was not undertaken in 2006/07, however management have stated that departmental checks of data, prior to reporting to senior management, would be implemented as part of the new data quality policy; and
- There was no evidence of an annual review of data quality controls for 2006/07, however management stated that this was to be addressed as part of the revised corporate plan, using the corporate scorecards.

KLOE 3.3 - Security arrangements for performance information systems are robust, and a business continuity plan is in place.

- The Council has an adequate level of security over the Corvu system. There are also basic arrangements in place for recovery of performance data.

KLOE 3.4 - Standards are specified for shared data or data supplied by third parties.

- Instances of internal and external data sharing have been identified as part of the partnership framework exercise.
- Validation processes were not evident for 2006/07, however it is clear that this is being addressed for 2007/08.

However, the Council needs to focus on the following areas for improvement::

- The new data quality policy for 2007/08 should be used to strengthen data quality systems, in order to achieve 'right first time' data. This should address the following specific areas:
 - Strengthened departmental data quality system controls.
 - Formalised annual review data quality control effectiveness.
- The Council does not currently have a formal system for checking the effectiveness of security on core data systems.

- The council has yet to establish adequate data sharing protocols or data validation arrangements for data received from external partners. This should be developed following the partnership review process.

People and Skills

The Council has made progress in the following areas:

KLOE 4.1 - The council has communicated clearly the responsibilities of staff, where applicable, for achieving data quality.

- A significant amount of work has been done in regard to communicating to staff their responsibility for data quality. New measures are yet to be fully embedded, but should be in place for 2007/08. The need to embed data quality targets in appraisal documents and job descriptions has been communicated to service managers and is being rolled out.

KLOE 4.2 - The council has arrangements in place to ensure that staff with data quality responsibility have the necessary skills.

- General staff training was delivered as part of the implementation of the new corporate balanced scorecard, with some reference to data quality requirements. A review of specific data quality training provision is scheduled to take place in 2007/08 as part of this process. Corvu had also been updated with improved guidance.

However, the Council needs to focus on the following areas for improvement:

- There was no quick reference guidance available to staff in 2006/07. This should be developed on the back of the new data quality strategy and policy; and

- For 2006/07 there was no formal programme of data quality training for staff. The delivery of specific data quality training in 2007/08, including regular updates on issues and system changes, should be closely monitored.

Data Use and Reporting

The Council has made progress in the following areas:

KLOE 5.1 - The council has put in place arrangements that are focused on ensuring that data supporting performance information is also used to manage and improve the delivery of services.

- The Council maintained a 'good' level of performance in regard to the use of information. Information from the Corvu system is used for both high level reporting and operational use. Targets are included for all performance indicators and identify predictive outcomes based on the information to date. The Council reports performance information to Overview and Scrutiny committee on a quarterly basis.

KLOE 5.2 - The council has effective validation procedures in place to ensure the accuracy of data used in reported performance indicators.

- Data returns were supported by a clear audit trail. No issues have been identified with respect to audit trail in the data quality stage 3 testing for 2005/06 or 2006/07; and
- Robust verification and senior approval mechanisms were in place. There were no BVPI reservations coming out of our data quality stage 3 audit work for 2005/06 or 2006/07.

However, the Council needs to focus on the following areas for improvement:

- We established that not all national data returns were fully signed off by senior management. The Council should ensure that sign off by senior management is standardised for all external data submissions; and
- For 2006/07, we were unable to evidence a direct link between the use of performance information by senior management and tangible service improvement. A direct link between data management and service improvement over a period of several years is a characteristic of 'excellent' data use.

5 Analytical Review (Stage 2)

An analytical review of the Audit Commission's specified BVPs and non-BVPs was carried out. All PIs were within the plausible and permissible values defined by the Audit Commission; therefore no concerns were noted at Stage 2 with regard to whether or not these specified indicators were fairly stated.

6 Data Quality Spot Checks (Stage 3)

A number of PIs were reviewed using a series of detailed spot checks and audit tests. Our findings are shown below.

Performance indicator	Assessment
Environment BVPI 199a-c	Fairly stated
Housing BVPI 214	Fairly stated

We are pleased to note that the audit of these two indicators demonstrated that the systems in place to generate the data to calculate these indicators are sound, and that Council officers have accurately calculated the outturn of these indicators.

Appendix A Action Plan

This action plan includes recommendations intended to assist the Council in achieving sufficient improvements to demonstrate compliance with the requirements of the next level within the Data Quality Overall Management Arrangements framework. Also the plan includes recommendations around those criteria considered as achieving excellent performance within the framework. Where recommendations have been made relating to achieving excellent performance the Council should consider the costs and benefits of implementing procedures. Our priority system grades the most significant recommendations as 'High'.

Ref	Recommendation	Priority	Management response	Responsibility	Timescale
KLOE 1.1 Responsibility for data quality is clearly defined					
1	Corporate leadership arrangements for Data Quality are not explicitly addressed in the 2007/08 Data Quality Strategy. Formal leadership responsibilities for data quality should be allocated to a member of the senior management team.	Medium	Allocate responsibility for Data Quality to a Director.	Director of Central Services	April 08

Appendix A

Ref	Recommendation	Priority	Management response	Responsibility	Timescale
2	The Council has not demonstrated that significant data quality issues are routinely reported and considered by those charged with governance. Where significant issues arise, the Council should report this to the management team or the member group charged with governance and report on progress against actions taken.	Medium	Agreed – no significant data quality issues have yet arisen, when and if they occur they will be reported to appropriate Director and if necessary the Corporate Governance Panel	Policy and Strategic Services	On-going
3	Data Quality responsibilities should be fully incorporated into job descriptions of staff with responsibility for data quality.	Medium	This is will be considered by Heads of Service/ Activity managers and covered in the DQ strategy action plan:- . <i>“Ensure that operational roles and responsibilities for data quality (where this is a significant part of an officers job) are consistently reflected in the relevant job descriptions and performance appraisal documents”</i>	Heads of Service	May 2008

Ref	Recommendation	Priority	Management response	Responsibility	Timescale
KLOE 1.3 Arrangements for monitoring and securing data quality					
4	Data quality is considered as part of corporate risk management process but is not fully developed and managed as a key risk. The risk and potential impact of data error for individual data performance indicators and returns should be fully assessed and incorporated into corporate risk management arrangements.	High	The risk register includes the following risk, which is owned by the COMT. “The Council does not deliver against its Corporate Objectives or the National Performance Indicators resulting in adverse external audit and inspection reports and government intervention or restrictions of freedoms”. One of the controls that manages this risk is the regular review of data quality. This risk and control has been reported to Members. We are satisfied with the way that we are treating data quality issues and do not consider it requires to be a separate risk entry on the register.	Financial Services	On-going
5	The ongoing development of arrangements for the monitoring and review of data quality within the Council should be closely monitored to ensure that this is delivered within a reasonable timescale.	High	An action in the DQ strategy:- <i>“To ensure documented measure procedures are kept up to date. (this will enable data to be collected in an accurate and consistent manner)”</i> This is expected to be updated whenever a measure or system changes not at a fixed point in time.	Heads of Service and Activity managers	On-going

Ref	Recommendation	Priority	Management response	Responsibility	Timescale
KLOE 2.1: Policy for data quality					
6	Documentation and guidance for data quality systems are not comprehensive and will need to be fully developed and embedded to support the new data quality strategy in 2007/08.	High	PI measure procedures have been completed, guidance for use of Corvu has produced for data in-putters and further support is provided as requested.	Policy and Strategic Services	On-going
KLOE 3.2: Performance system controls					
7	<p>The new data quality policy for 2007/08 should be used to strengthen data quality systems, in order to achieve 'right first time' data. This should address the following specific areas:</p> <ul style="list-style-type: none"> • Strengthened departmental data quality system controls. • Formalised annual review of data quality control effectiveness. 	Medium	<p>The data quality strategy and documented measure procedure will strengthen data quality controls</p> <p>The documented measure procedure is reviewed as and when measure/systems change</p>	<p>Heads of Service and Activity managers</p> <p>Heads of Service and Activity managers</p>	<p>On-going</p> <p>On-going</p>

Ref	Recommendation	Priority	Management response	Responsibility	Timescale
KLOE 3.3: Data Security					
8	The Council should develop a formal system for checking the effectiveness of security on core data systems.	Medium	The Information Manager will, on an annual basis, and additionally in response to a specific threat or perceived enhanced level of risk (e.g. the recent data protection act scares), lead a review of all aspects of information security and provide a report to the Head of Information Management and to COMT	Information Manager	On-going
KLOE 3.4: Data sharing					
9	The council should establish adequate data sharing protocols or data validation arrangements for data received from external partners. This should be developed following the partnership review process.	High	This is Included in the Partnership framework guidance/health check and will be implemented for performance management of LAA	Policy and Strategic Services Policy and Strategic Services	Feb 08 June 08

Ref	Recommendation	Priority	Management response	Responsibility	Timescale
KLOE 4.1: Communication of data quality responsibilities					
10	There was no data quality quick reference guidance available to staff for 2006/07. This should be developed on the back of the new data quality strategy and policy.	Medium	At an operational level people responsible for the collection of data have the documented measure template to refer too. The DQ strategy has been circulated to Heads of Service and Activity managers.	Policy and Strategic services	On-going
KLOE 4.2: Data Quality training					
11	A formal programme of specific data quality training should be developed for 2007/08, including regular updates on issues and system changes. This training should be reviewed and updated accordingly.	High	Staff responsible for entering data into Corvu are given the necessary training and support, guidance has been supplied and is updated as and when necessary	Policy and Strategic services	On-going

Ref	Recommendation	Priority	Management response	Responsibility	Timescale
KLOE 5.1: Reported performance information is actively used in the decision making process					
12	The Council should establish a processes which will enable it to demonstrate a direct link between data management and service improvement.	Medium	Quarterly divisional reports to COMT/ O & S/Cabinet. Poor performance is identified and acted upon	Policy and Strategic services	On-going
KLOE 5.2: Reported performance information is validated					
13	The Council should ensure that sign off by senior management is standardised for all data submissions.	High	A judgement is taken (by Head of Service) as to the level of seniority required to sign of data submission. For local/BVPI's the measure procedure template requires data to be verified by the appropriate officer prior to entry into the councils performance management software "Corvu"	Heads of Service	On-going

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Huntingdonshire District Council
Use of Resources Report 2006-7

The Corporate Governance Panel
Huntingdonshire District Council
Pathfinder House
St Mary's Street
Huntingdon
Cambs PE29 3 TN

11 January 2008

Dear Sirs

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HUNTINGDONSHIRE DISTRICT COUNCIL - USE OF RESOURCES REPORT 2007

This Use of Resources Report 2006/07 has been prepared in order to record the key matters arising from our audit. We have discussed our report with Steve Couper, Head of Financial Services, who confirms its factual accuracy, although the views expressed are those of Grant Thornton. The scope and objectives of this report are further detailed in Section 2.

We would like to take this opportunity to thank Steve Couper and David Harwood, Internal Audit and Risk Manager, and other staff and directors for the co-operation and assistance afforded to us during the course of our audit.

Yours faithfully

Grant Thornton UK LLP

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1 Executive Summary

embedded. We have also focussed on the Council's delivery of the action plan included in the Use of Resources report issued in June 2007.

This report summarises the approach taken and the results of the assessment. It also highlights areas for improvement based on the criteria issued by the Audit Commission.

1.1 Introduction

We have completed our 2007 assessment of Huntingdonshire District Council's (the Council's) use of resources in accordance with the methodology and guidance issued by the Audit Commission.

The Use of Resources (UoR) assessment evaluates how well councils manage and use their resources. This assessment is carried out each year and focuses on the importance of strategic financial management, sound governance and effective financial reporting arrangements. These should support the Council in the achievement of its priorities and improving services, whilst delivering value for money.

This is the third assessment we have undertaken at the Council. Our assessment is based on the key lines of enquiry for 2007. These include new requirements for councils as part of the Commission's approach to phasing in those elements that need more lead-time and to supporting improvement by gradually raising the standard of the assessment. The period assessed has been aligned with the financial year 2006/07. Councils may, however, provide evidence that becomes available after the end of the financial year to demonstrate their arrangements are working effectively and are

We commenced our fieldwork in accordance with the Audit Commission's timetable in August 2007 with a view to reporting our five individual judgements, after internal quality assurance, to the Audit Commission on 19 November 2007.

The Audit Commission released the overall judgement to the Council on 10 December 2007, from this time the Council had the opportunity to request a review of the judgement if it is felt that it has been awarded the incorrect score overall. This review period closed on 21 December 2007.

Overall the Council achieved a score of 3 for the 2007 judgements which represents an assessment of performing well on the Audit Commission's scoring system. This is the same as the 2006 assessment. The five theme scores are summarised as follows:

Auditor scored judgement	2006	2007
Financial reporting	3	3
Financial management	3	3
Financial standing	3	3
Internal control	2	2
Value for money	3	3
Overall score	3	3

These scores have been subject to confirmation by the national quality control process. This seeks to ensure consistency across all auditors and on a national basis.

The key areas for development include:

Risk Management - at the time of the assessment, the Council had not rolled out risk management training to appropriate officers and members.

Assurance framework – the Council should develop and implement a formal assurance framework to ensure that key risks to the Council achieving its objectives are being identified and that there are adequate controls in place to reduce the risks to acceptable levels.

The focus in future periods should be to further embed the processes for each key KLOE criteria, in particular to demonstrate that the arrangements in place drive improvement in processes and outcomes.

We would like to take this opportunity to thank the Head of Financial Services, the Head of Administration and the Internal Audit and Risk Manager, their teams and the other officers involved in our review for their help and support during the course of our work in this area.

1.2 Use of Resources 2008

The Audit Commission has published its key lines of enquiry for 2008 on its website. There is an annotated version of the key lines of enquiry available which indicates the key changes from 2007 and Annex B outlines the main changes. The key lines of enquiry for 2008 reflect some of the changing priorities for councils as they respond to the major challenges facing them and the higher expectations of them. Making further improvements to efficiency will be critical for councils in responding to: the changing demographic profile of communities, increasing public expectations of public services and expected constraints on funding from Government.

The key lines of enquiry give more emphasis, mainly at level 4, to areas such as: sustainability, working in partnership and using IT to secure service and value for money improvements; strategic asset management and joint procurement. These areas signal the changes which will be given more emphasis in the use of resources assessment under Comprehensive Area Assessment, the new performance framework for local services from 2009.

2 Approach and context

need to consider whether relevant arrangements are ‘embedded’ that is, they have been operating consistently with clear outputs having an impact. For scores of 4 (performing strongly) we are required to consider whether, in addition to meeting the criteria, councils can demonstrate innovation or best practice that can be shared with other authorities, and also demonstrate that actions taken have had the desired impact.

2.1 Background

Each judgement area (theme) consists of a number of key lines of enquiry and areas of audit focus and evidence. There are also descriptions of performance against each key line of enquiry showing performance at levels 2, 3 and 4. These translate into the following judgements:

Level	Assessment
1	below minimum requirements – inadequate performance
2	only at minimum requirements – adequate performance
3	consistency above minimum requirements – performing well
4	well above minimum requirements – performing strongly

The Audit Commission determine the overall use of resources score by combining the auditor’s separate scores for each of the themes covered.

In forming our assessment, we need to take into account requirements of the methodology that are set out in the Use of Resources Guidance for Councils 2007. In particular, in order to support scores of 3 and above, we

This report summarises the results of our work. It is not intended to cover every issue that has come to our attention, but rather provide an overview of the key issues that we have identified during the course of our review.

This report is for consideration by the Council and its officers and is for the Council’s use only and should not be relied upon by any third parties.

3 KLOE 1: Financial reporting

process is fundamental in maximising the theme score for Financial Reporting overall.

KLOE 1.1 focuses on the arrangements that the Council has in place to produce its annual accounts in accordance with relevant standards and timetables and supporting by comprehensive working papers. With the use of auditor discretion the Council maintained a Level 3 for its annual accounts production. Discretion was used as a result of there being adjustments required to the accounts as the result of the incorrect treatment of grants received in respect of fixed assets. The grants were treated as disposals rather than as deferred credits on the advice of previous auditors. This treatment is inconsistent with required accounting treatment as per the Statement of Recommended Practice (SORP) 2006.

3.1 KLOE 1 results

The table below gives the scores that the Council achieved for Financial Reporting during the 2007 judgements:

Table 2

Key line of enquiry	2006	2007
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supporting by comprehensive working papers	3	3
1.2 The Council promotes external accountability	3	3
Combined score for KLOE 1	3	3

3.2 Key findings: KLOE 1.1 - Annual Accounts

The first of the above KLOEs carries a higher weighting than the second and therefore the Council's score on the annual accounts production

3.3 Key findings: KLOE 1.2 - External Accountability

The Council's performance in KLOE 1.2 was level 3 with all criteria being met. To progress to level 4 the Council will need to publish an annual report which includes summary accounts and key financial information. Consultation undertaken by the Council has indicated that there is limited support amongst stakeholders for the production of such a document. Looking forwards, the Council should continue to seek feedback on the perceived usefulness of such a report and, in doing so, consider the costs and benefits of publishing it.

4 KLOE 2 Financial management

4.1 KLOE 2 Results

The table below gives the scores which the Council achieved for Financial Management during the 2006 judgements:

Table 3

Key line of enquiry	2006	2007
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities	3	3
2.2 The Council manages performance against budgets	2	2
2.3 The Council manages its asset base	3	3
Combined score for KLOE 2	3	3

The KLOEs each carry an equal weighting in determining the overall theme score.

4.2 Key findings: KLOE 2.1 Medium Term Financial Strategy
The Council has maintained a score of Level 3 for this KLOE.

To enable the Council to progress to level 4 in the future the Council needs to take an active involvement with partners and other stakeholders and to mention plans within the MTFS. The Council would also need to monitor its financial plans and strategies to demonstrate that it is achieving its corporate objectives.

4.3 Key findings: KLOE 2.2 Performance against budgets
KLOE 2.2 is largely process driven and requires the Council to have a series of budget management and monitoring techniques in place.

The Council has maintained a Level 2 score for this KLOE. In order to progress to Level 3, further development of budget monitoring is required to build on the work commenced or already completed in this area.

4.4 Key findings KLOE 2.3: Management of the asset base
This KLOE is concerned with the effectiveness of the arrangements that the Council currently has in place to manage its asset portfolio.

The Council has maintained a level 3 score in this area.

To move to level 4, the Council needs to show evidence of the use of performance measurement and benchmarking in its asset management. However, the Council will need to consider the costs and benefits of addressing these issues.

5 KLOE 3 Financial Standing

5.1 KLOE 3 Results

The table below gives the score which the Council achieved for Financial Standing during the 2007 judgements:

Table 4

Key line of enquiry	2006	2007
3.1 How well does the Council safeguard its financial standing	3	3
Combined score for KLOE 3	3	3

Despite there being only one KLOE in relation to Financial Standing it does count for one fifth of the overall score, reflecting the importance of financial performance.

5.2 Key findings KLOE 3.1 - Financial Standing

The Council has, for the third year running, achieved a strong level 3 score in this area, meeting all level 2 and 3 criteria.

In order to progress the Council will need to be able to provide strong evidence of Members monitoring key financial health indicators and setting challenging targets that it regularly meets and the key outcomes that have been achieved as a result of this. The Council will need to consider the costs and benefits of achieving level 4.

6 KLOE 4 Internal control

The three KLOEs are weighted equally and hence the score for Internal Control overall is built up as an average of the three individual scores.

6.2 Key findings: KLOE 4.1 - Risk Management

The risk management KLOE is designed to form a view as to the effectiveness of the Council's risk management arrangements, and in particular is concerned with the extent of senior officer and member involvement.

The Council recorded Level 2 for this KLOE.

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6.1 KLOE 4 results

The table below gives the scores that the Council achieved for Internal Control during the 2007 judgements:

Table 5

Key line of enquiry	2006	2007
4.1 The Council manages its significant business risks	2	2
4.2 The Council has arrangements in place to maintain a sound system of internal control	2	2
4.3 The Council has arrangements in place that are designed to promote and ensure probity in the conduct of its business	2	3
Combined score for KLOE 4	2	2

Looking forward to next year's judgements, the Council needs to ensure that risk management training has been delivered to all appropriate officers and members and that the newly introduced Partnership framework is identifying key risks relating to the Council's partnerships and that these are being addressed and managed as part of its risk management processes.

6.3 Key findings: KLOE 4.2 - systems of internal control

This KLOE encompasses a series of individual topics such as the Statement on Internal Control (the SIC), the effectiveness of the Audit Committee, the quality of the Internal Audit function and the completeness of procedure notes and other standard documents which, when considered together, constitute the main elements of the Council's control environment.

Consistent with the previous year, the Council scored level 2 for this KLoE. The key area for development for the Council is that as at the 31 March 2007 it had not got its formal assurance framework in place. This is an essential Level 3 requirement.

6.4 Key findings: KLOE 4.3 - probity and propriety

KLOE 4.3 is designed to evaluate the Council's arrangements for ensuring that probity and propriety are promoted within the conduct of its business.

Overall the Council met level 3 in this area which is an improvement on its 2006 assessment. The improvement is the result of the Council demonstrating through the work of its housing benefit fraud team that its counter fraud and corruption work is underpinned by formal risk assessments and that it is adequately resourced to allow required work to be undertaken.

7 KLOE 5: Value for money

7.1 KLOE 5 results

The table below gives the scores which the Council achieved for Value for Money during the 2007 judgements:

Table 6

Key line of enquiry	2006	2007
5.1 The Council currently achieves value for money	3	3
5.2 The Council manages and improves value for money	3	3
Combined score for KLOE 5	3	3

The first of the above two KLOEs carries a higher weighting than the second and thus the Council's score on whether or not value for money is currently achieved is fundamental in maximising the theme score for Value for Money overall.

We set out below the main achievements and key barriers for the Council in achieving the next Level for each of the KLOEs given above.

7.2 Key findings: KLOE 5.1 - Achieves value for money

KLOE 5.1 is designed to form a view on whether the Council currently achieves Value for Money in its activities both with regards to the back office and also the provision of front line services.

The Council has remained unchanged at level 3 for the current year. The Council has not achieved a Level 4 score in this area as, although performance is generally high, some specific areas of underperformance remain. Also, there is room for further improvement in the management of its capital programme, specifically in ensuring that capital projects are completed on-time and to budget. The Council has provided evidence of improved management arrangements being put in place with effect from 2007-8.

7.3 Key findings KLOE 5.2 - management and improvement of value for money

KLOE 5.2 has more of a forward looking focus than 5.1 and is concerned with the arrangements that the Council has put in place to both manage and improve Value for Money.

The Council has achieved level 3 for this KLOE as in the 2006 assessment.

Achievement of level 4 for this KLOE would involve the Council evidencing that it continues to develop and improve its value for money arrangements and offers best practice in this area.

A Action plan

This action plan includes only recommendations intended to assist the Council in achieving sufficient improvements to demonstrate compliance with the requirements of the next level within the Use of Resources framework. The action plan does not include recommendations around those criteria considered as level 4 within the framework. It is for the Council to consider the costs and benefits of further improving performance against the Use of Resources scoring framework, particularly where this will result in the achievement of level 4.

Ref	Recommendation	Priority	Management response	Responsibility	Timescale
KLOE 2.2 Performance Against Budget					
1	The Council should continue to develop its budget monitoring processes to ensure that it is appropriate for the Council and it meets the requirements of the UoR criteria which include the need to ensure monitoring is informed by a risk assessment.	1	Significant progress has been made but a formal risk assessment will be carried out to focus further developments.	Accountancy Manager	31 March 2008
KLOE 4.1. Risk Management					
2	Risk management training should be delivered to appropriate officers and members prior to 31 March 2008.	1	All Heads of Service have received training. Further Member training provided in December 2007. Any Members who missed both training sessions will be briefed individually.	Audit and Risk Manager	31 March 2008
KLOE 4.2. System of Internal Control					
3	The Council should develop and implement an assurance framework. Once implemented, processes need to be put in place to ensure that this a fluid living document that is updated constantly for any changes in objectives, risks and assurances.	1	An assurance framework will be developed and agreed by the Corporate Governance Panel on 26 March 2008.	Head of Policy	26 March 2008

B Key changes for 2008 assessment

This table summarises where there have been any material changes to the KLOEs since 2007:

KLOE	Summary of criteria changed	Level
Financial Reporting		
1.1	Removed requirement to have guidance made available to staff on final accounts closedown procedures, including relevant timetables agreed with the auditor and allocation of tasks to individual members of staff, were adhered to.	2
1.1	Added additional requirement gave an unqualified opinion in the published accounts.	2
1.2	Added additional requirement to have the agenda, reports and minutes for meetings to be accessible formats appropriate to comply with duties under the equalities legislation.	2
1.2	Removed requirement to have the annual report or similar document available in a wide variety of formats to meet local user needs (for example different languages, large print, speaking version).	4
	Added additional requirement to have the annual report or similar document to include information and analysis about the Council's environmental footprint.	
Financial Management		
2.1	Added requirement that the Council has undertaken equalities impact assessments of its strategies and understands the effect and impact these will have on its diverse population.	2

KLOE	Summary of criteria changed	Level
2.1	Removed that budgets are annually reviewed in light of the reasons for and consequences of the previous year's outturn and are linked to the medium term financial strategy.	2
2.1	Removed budget holders are involved in the budget setting process.	2
	Removed that each capital and revenue budget is assigned to the individual manager best able to use and control it.	
2.1	Added requirement that budgets are linked to operational activity indicators that are lead indicators of spend.	3
2.1	Added additional requirement that the MIFS models revenue items using different planning scenarios (for example best and worst case and most likely) and links this to its risk management and financial reports.	4
2.1	Removed the requirement that the council identifies future developments that may impact on its financial management arrangements and proactively manages them.	4
2.2	Removed the requirement for the council to use agreed processes to adjust and approve budgets in year if major programmes are varied by more than pre set tolerances.	3
2.2	Removed the requirement for the Council to ensure that it carries out regular testing of its financial systems that the report outputs are timely, accurate, reliable, clear, in a convenient format (hard copy and online, in summary and in detail, as appropriate) and readily understood by their recipients.	4
2.2	Removed the requirement for the council to consult with, advise and train users so that it develops and provides the financial information systems to meet their needs.	4
	Removed the need for the council to have savings and efficiency gains being profiled over the year and there is monitoring throughout the period by members to ensure their achievement.	
2.3	Removed the requirement for the council has developed a set of local performance measures in relation to assets that evaluate asset use in relation to corporate objectives.	3

KLOE	Summary of criteria changed	Level
2.3	Added requirement for the council's asset management plan provides clear forward looking strategic goals for its property assets that shows how the council's land and buildings will be used and developed to help deliver corporate priorities and service delivery needs, now and in the future. The plan shows how property assets will be maintained, modernised and rationalised to ensure that they are fit for purpose.	3
2.3	Added requirement for the council maintains a record of all of its land and buildings that contains accurate data on its efficiency, effectiveness, asset value and running costs which can be used to support decision making on investment and disinvestment in property.	3
2.3	Removed the requirement to have the results of performance measurement and benchmarking being communicated to stakeholders where relevant.	4
2.3	Removed the requirement for the council has developed an approach for the coordination of asset management information and its integration with relevant organisational financial information	4
Financial standing		
3.1	Added that the council's approved level of balances is adhered to and ensures the council's financial standing is sound and supports the council in the achievement of its long term objectives.	3
	Additional requirement for the council's targets for income collection and recovery of arrears stretch performance and their achievement is monitored with appropriate corrective action taken during the year to achieve the targets.	
Internal control		
4.1	Added the requirement for all business risks to be assigned to named individuals to lead on the actions identified to mitigate each risk.	2
4.1	Removed the requirement for the council to consider positive and negative risks.	4
4.1	Added additional requirement to report to support strategic policy decisions, and initiation documents for all major	4

KLOE	Summary of criteria changed	Level
	projects, require a risk assessment including a sustainability impact appraisal.	
4.2	Overall there will be a changed focus from the SIC to the governance statement.	All
4.2	Removed the requirement for all reports to members to have been formally considered for legal issues before presentation.	2
4.2	Removed the requirement for all procedure manuals for key financial systems being reviewed and updated as appropriate.	3
	Removed the requirement for standing orders, standing financial instructions and scheme of delegation to be reviewed and updated as appropriate.	
4.2	An additional requirement for the council to have an effective scrutiny function to ensure constructive challenge and enhance performance overall.	3
4.2	New requirement for the council to obtain assurance on a risk basis of the viability of its significant contractors/partners business continuity plans.	4
4.3	Added the requirement for the council to have in place the arrangements for monitoring compliance with the code of conduct and use of IT resources.	2
4.3	New requirement for the council to demonstrate that members of the standards committee are preparing for their role in local investigations and determination and there are arrangements in place to support effective local investigations and determinations.	2
4.3	Removed the requirement for the council to have a strong counter fraud culture that is supported and promoted by members and senior officers.	3
4.3	Additional requirement to have the work of the standards committee is communicated openly to a wider public. Where appropriate, the council has taken effective action, learning from issues arising from local investigations and determinations	3
4.3	Removal of the requirement for the council to have a track record for effective action in response to whistleblowing	4

KLOE	Summary of criteria changed	Level
	disclosures. There are periodic reviews of the effectiveness of the whistleblowing arrangements.	
4.3	Additional requirement for the council to demonstrate its staff, and staff within contracting organisations, have confidence in the whistleblowing arrangements and feel safe to make a disclosure.	4
4.3	Added requirement to have all application forms for services and benefits to have an appropriate fair processing notification permitting data sharing for prevention and detection of fraud and corruption (both acting as a deterrent to fraudsters and facilitating the extension of NFI into new areas).	4
4.3	Removal of the requirement to demonstrate that effective action has been taken to maximise the potential savings available through NFI.	4
Value for money		
5.1	Deletion of the requirement to have a positive relationship between costs and range, rather costs are commensurate with the range.	2
5.1	Removal of the requirement for the council to evaluate the outcomes from its capital programme in accordance with objectives. Where capital resources are invested, there are identifiable improvements in service delivery.	4
5.2	New requirement for the council to have adequate arrangements to produce reliable data.	2
5.2	New requirement for the council to collect information on the needs of, and the impact of its decisions on, diverse communities. It is beginning to use the information to improve access to services, outcomes and VFM.	2

KLOE	Summary of criteria changed	Level
5.2	Revised requirement to have adequate processes in place for reviewing and improving VFM.	2
5.2	New requirement for the council to demonstrate some improvements in VFM in recent years.	2
5.2	Removed the requirement to have targets set and applied to improve efficiency and value for money.	2
5.2	Removed the requirement to have internal reviews carried out (in line with Best Value legislation) and achieve significant improvements in value.	2
5.2	Added the criteria from the council to have some understanding of its long-term costs and benefits, including environmental and social. There is some evidence of these being taken into account in decision making	2
5.2	Added the criteria for The council is making some use of partnership working to improve VFM. It has some understanding of the total resources at the disposal of its significant partnerships.	2
5.2	There is a new requirement for the council to make some use of IT both to improve its own VFM and to improve access to services for users.	2
5.2	New requirement to have good arrangements to produce reliable data.	3
5.2	Removed the requirement to have information on equity and using this to actively promote access and value for money across community and replaced with the council collecting information on the needs of and the impact of its services, policies and strategies on different community groups and is using this information to improve VFM, outcomes and access	3

KLOE	Summary of criteria changed	Level
	to services.	
5.2	Removing the requirement for achieving and improving value for money being embedded in the council's culture, for example, through the performance appraisal system.	3
5.2	New requirement to have clear improvements in VFM, particularly in priority areas, in recent years.	3
5.2	Removed the requirement to have clear evidence that the council sets and achieves ambitious targets and to improve efficiency and value for money corporately and in services. Targets are used 'intelligently' to reflect potential for improvement.	3
5.2	Removed the requirement for the council to have produced and be delivering on an efficiency plan to achieve at least cumulative Efficiency Review target of 7.5 per cent gains over a three year period.	3
5.2	Removed the requirement to achieve significant and identifiable savings that have been achieved through procurement and internal reviews without unintended loss of quality.	3
5.2	Added the requirement for the council to have evaluated its use of partnerships to improve VFM. It has an understanding of total resources at the disposal of its significant partnerships which it is using to support clearly identified outcomes	3
5.2	The new criteria for the council to use IT to drive and enable business process change to improve both its own VFM and access to services for users.	3

KLOE	Summary of criteria changed	Level
5.2	The new requirement for the council to have exemplary arrangements to produce reliable data. It has an agreed approach with partners to produce reliable data.	4
5.2	The removal of the requirement for achieving and improving value for money within its performance management arrangements, and this resulting in high levels of understandability and awareness across the organisation.	4
5.2	The new requirement to have Significant improvements in VFM have been made in recent years.	4
5.2	The removal of the requirement for the council to have a sustained track record of driving improvements in services and value for money through effective use of targets.	4
5.2	Removal of the criteria to have an integrated efficiency review into its performance management and is exceeding its own targets for achieving at least the national cumulative Efficiency Review target of 7.5% over three years.	4
5.2	Removal of the requirement to have systematic reviews covering all major functions and the findings being acted upon, leading to significant improvements in service and value for money.	4
5.2	New requirement for the council to have implemented arrangements for partnership working. It has a clear understanding of the total resources at the disposal of its significant partnerships. It is on track to deliver planned improvement in outcome	4
5.2	New requirement for the council having a strong track record of using IT and can demonstrate examples of significant service improvements, including access to services for users, or efficiency savings through using IT.	4

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Annual Audit and Inspection Letter

Huntingdonshire District Council

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council and from any inspections that have been undertaken in the last year. The letter includes our review of how well the Council has progressed (our Direction of Travel report) and the auditor's assessment of how well the Council has managed its finances (the Use of Resources scores). These latter components will be an important feed into any future decision regarding the potential for a rescoring the Council's Comprehensive Performance Assessment (CPA) category.
- 2 The report is addressed to the Council, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.
- 3 The main messages for the Council included in this report are as follows.
 - The Council is making improvement in many priority areas. Recycling and composting performance remains amongst the best nationally. Access to services has improved. The Council continues to perform well in the use of resources and value for money.
 - Progress has been made on equalities with level two of the equalities standard achieved and work has started to achieve level three. Access to services has improved.
 - Overall improvement and comparative performance as measured by performance indicators is below average. For example, the speed of processing minor planning applications does not compare well and the volume of household waste per household has increased.
 - The Council has clear plans and investment for improvement which focus resident priorities.

Action needed by the Council

- Maintain focus on service performance in order to improve the rate of improvement and tackle areas of comparative under performance.

How is Huntingdonshire District Council performing?

- 4 Huntingdonshire District Council was assessed as Excellent in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now starting to update these assessments, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

Summary

- 5 The Council is making improvement in many priority areas. Progress has been made on equalities with level two of the equalities standard achieved and work has started to achieve level three. Recycling and composting performance remains amongst the best nationally. Resident satisfaction has improved and is good. Access to services has improved. The Council continues to perform well in the use of resources and value for money. However, overall improvement and comparative performance as measured by performance indicators is below average. For example, the speed of processing minor planning applications does not compare well and the volume of household waste per household has increased.
- 6 The Council has clear plans for improvement. These plans and investments focus on resident priorities and areas of under performance. For example, significant improvements in leisure facilities are on track to be delivered in 2008 and high waste collection costs are being tackled. Partnership working has secured funding for affordable housing and economic development initiatives.

What evidence is there of the council improving outcomes?

- 7 Overall performance and improvement as measured by best value performance indicators is below average for 2006/07. Forty six per cent of performance indicators (PIs) improved which is below average for district authorities (56-59 per cent). The percentage of PIs in best quartile at 26 per cent is below average when compared to district authorities' average of 33 per cent. Performance over the last three years is stronger with 64 per cent of PIs improving compared to the average for district authorities of 54-56 per cent.
- 8 Satisfaction with the Council overall is good. In 2006/07 satisfaction with the Council is in the best 25 per cent of councils and has improved from 58 per cent to 60 per cent since the last survey in 2003/04.
- 9 Service performance in Council priorities is mixed. The Council has six aims for its communities, which reflect those of the local strategic partnership, and three aims for the Council itself, each with a series of objectives. These aims are:
 - a clean, 'green' and attractive place;
 - housing that meets local need;
 - safe, vibrant and inclusive communities;
 - healthy living;
 - access to services and transport;
 - a strong, diverse economy;
 - to improve our systems and practices;

- to learn and develop; and
 - to maintain sound finances.
- 10** The Council is delivering performance amongst the best 25 per cent of councils in some of its priority areas. This includes its recycling and composting rate, the percentage of the population served by a kerbside recycling collection and performance on affordable housing.
- 11** Although there has been improved performance in many priority areas this still does not compare well with other councils. The length of stay in bed and breakfast accommodation has improved from five to four weeks. Improvements have been made to the speed of processing major planning applications. However, when compared to other councils performance remains amongst the worst 25 per cent. Performance does not compare well the speed of processing minor planning applications. The Council met government targets for speed of determining planning applications and received a substantial Planning Delivery Grant award for 2007/08. The volume of waste collected per household is high in comparison to other councils and rising. Although there is improvement in areas of poor performance this is not at a rate which is significantly greater than is being achieved by others. Therefore, the Council's overall comparative performance indicator is not improving.
- 12** Performance has improved in other priority areas. The cost of waste collected per household has reduced and delivered approximately £100,000 of savings. The percentage of private sector homes vacant for six months or more has improved from below to above average. The percentage of the number of non-LA-owned vacant dwellings returned to occupation or demolished during the year as a direct result of action by the authority has improved with performance above average.
- 13** Investment in priorities is being made to improve outcomes for residents. For example market traders at St Ives market are being encouraged to recycle more of their waste as part of a pilot scheme funded by DEFRA as part of a government initiative to increase business waste recycling. The Council has supported a housing association to secure an extra £3 million to build 'affordable' homes. This has resulted in plans to build around 400 'affordable' homes as part of a 1,250-home development. The Council has invested funds to improve services to the homeless through securing 16 existing homes and the expansion of its existing homeless hostel. Improvements for residents are being delivered.
- 14** The Council is supporting economic development. It has secured £1.33m from DCLG growth fund and East of England Development Agency for an Enterprise Centre to stimulate business and job growth. This recognises employment pressures in sustainable communities in growth areas.

- 15 Performance is above average in all crime areas with some in the best 25 per cent of councils. Huntingdonshire Community Safety Partnership is currently on track to meet all of its targets apart from criminal damage, as identified within the Community Safety Strategy 2005/08. The community safety team is taking a more proactive approach to address crime, for example commissioning additional research to inform decisions on emerging issues. The anti-social behaviour case workers have led or supported partners in obtaining a number of acceptable behaviour contracts, anti-social behaviour orders and parenting contract agreements. The Council is contributing effectively to community safety.
- 16 The Council is contributing to community outcomes. For example the Council is a partner in the Great Fen Project which aims to restore over 3,000 hectares of farmland situated between Huntingdon and Peterborough to fenland wildlife habitat; thereby connecting two existing nature reserves. £8.9 million from the Heritage Lottery Fund has been awarded but it is too early in the process for outcomes to be achieved.
- 17 The Council is involved in a range of work to improve health. The Council provides for and encourages participation in active leisure pursuits; discourages smoking, encourages people to have healthy diets and encourages participation in community involvement and service. The Council provides opportunities for cardiac rehabilitation and physical activity in disadvantaged communities and for people with disabilities. The outcomes from this work cannot be assessed in the short term, at this stage. The Council is making an important contribution to improving health and reducing health inequalities.
- 18 Access to services is improving. A temporary customer service centre in Huntingdon opened to the public in July 2007. Previously customers had to visit different reception counters on various floors of the Council offices dependant on their enquiry and the cash office was located in a different building. All the departments are now co-located into one ground floor location enabling full DDA access for customers. The Council has expanded its call centre with enquiries relating to planning and tourism services transferred in the last 12 months. The Council has improved access to its website for people with limited vision, dyslexia, low literacy levels, learning disabilities or English as a second language. A mobile working (wireless technology) pilot project has been used in the processing of benefit claims by taking services to the customer. The two community information centres in Yaxley and Ramsey continue to provide a wide range of services to the local community. Residents have improved access to services.
- 19 Progress has been made on diversity. The Council has achieved level two of the equality standard. The Council is now actively working towards level three of the standard.
- 20 The Council continues to perform well in delivering value for money. Performance is generally high but there are some areas of underperformance such as the costs of waste collection. Further improvements in the management of the capital programme are required for the Council to perform strongly, specifically ensuring that capital budgets are completed on-time.

How much progress is being made to implement improvement plans to sustain improvement?

- 21** The Council has clear plans in place for improvement. A new corporate plan has been adopted which sets out the Council vision and makes clear links between community and Council aims. The Council has set out objectives for each of the community and Council aims, together with some of the main changes expected and the main activities and projects that will take place to help them to be achieved. Progress against the 50 objectives is reported to chief officer management team and to overview and scrutiny panel quarterly. This is helping the Council to sustain improvement.
- 22** The Council has plans or is developing plans to deliver improvement, particularly in areas where performance is currently poor. A new Customer Service Strategy is being developed. This will identify how customer service objectives will be achieved throughout the district and will include the customer service centre, call centre and community information offices.
- 23** The Council has clear plans to reduce the cost of its waste collection services. Whilst recycling levels are high waste costs are also high. This is due to the number of collections made. During September 2007 the Council implemented major changes to its waste and recycling services following a comprehensive review of those services. This resulted in re-scheduled collections to gain operational efficiencies whilst building in capacity to absorb the anticipated significant growth in the number of properties during the next five years. The day of collection was successfully changed for over 60,000 properties with minimal disruption to service provision. The rescheduling will deliver annual revenue savings of £100,000 per annum together with further capital savings by reducing the numbers of vehicles used by one. This is strengthening the Council's value for money performance.
- 24** The Council has robust plans for improvement in leisure. A number of capital projects are to be completed by Easter 2008. These include swimming pool refurbishment at St Neots; a new soccer pitch at St Ivo in St Ives and a major redevelopment at Huntingdon leisure centre which includes provision for a permanent child's play centre, a teen-zone and a vibro-therapy room. This is providing residents with access to improved facilities.
- 25** Effective use of capacity is delivering improvements both internally and for residents. The Council opened its new operations centre in October 2007. In addition to providing a new base for the Council's day to day operational activity, it provides accommodation for a range of other services including all post and printing requirements, building control, CCTV, and corporate training facilities. Work is also currently underway to construct a new headquarters and a purpose built customer service centre which is due to be completed in early 2010. The Council is investing in equalities training for officers and councillors to support further improvement. To improve performance within planning services a targeted performance improvement plan was developed with the development control panel and is currently being implemented.

10 Annual Audit and Inspection Letter | How is Huntingdonshire District Council performing?

- 26** There are no significant weaknesses in arrangements for securing continuous improvement or failures in corporate governance that would prevent improvement levels being sustained.
- .

Financial management and value for money

- 27 Your appointed auditor has reported separately to the Corporate Governance Panel on the issues arising from the 2006/7 audit and has provided:
- an audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 25 September 2007; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.

Use of Resources

- 28 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas:
- Financial Reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial Standing (including the strength of the Council's financial position).
 - Internal Control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).

- 29 For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	2 out of 4
Value for money	3 out of 4
Overall assessment of the Audit Commission	3 out of 4

(Note: 1 = lowest, 4 = highest)

- 30 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.
- At the time of the assessment the Council had not rolled out risk management training to all appropriate officers and members.
 - The Council should develop and implement an assurance framework to ensure that key risks to the Council achieving its objectives are being identified and that there are adequate controls in place to reduce the risks to acceptable levels.

Conclusion

- 31 This letter has been discussed and agreed with Huntingdonshire District Council. A copy of the letter will be presented at the Corporate Governance Panel on 26 March 2008.
- 32 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the council's assistance and co-operation.

Availability of this letter

- 33 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the council's website.

Nigel Smith
Relationship Manager

March 2008

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RISK REGISTER UPDATE (Report by the Audit & Risk Manager)

1. Purpose

- 1.1 To provide members of the Panel with details of the current risk register.

2. Risk Register

- 2.1 The risk register was last presented in full to the Panel in September 2006. Since that time, as the Panel will be aware from the interim reports they have received, a considerable amount of work has been undertaken to develop and embed a formal risk management culture into the Council.
- 2.2 A copy of the full register has been placed in the Members room. An extract of the very high 'red' risks is attached at Annex A. Recognising that the register is a detailed document it is suggested that future update reports to the Panel will only include new or changed entries.
- 2.3 The entries on the register are all owned by a named individual, usually a Head of Service or Director. They are responsible for, within their service area, identifying significant risks, reviewing the controls to mitigate the risks and the overall scoring of the risk. The register is reviewed by the Risk Management Group and the Chief Officers' Management Team (COMT).
- 2.4 The register is an important internal control document and as such, is reviewed on a regular basis. Links have been established with the performance management reporting system to ensure Heads of Service/ Directors review the register each quarter. The review considers both the appropriateness of the current entries and allows for the register to be update with any current or future threats or opportunities that have been identified.

3. Option Appraisal Forms

- 3.1 The register contains 11 very high risks, which encapsulate a number of the significant corporate business risks faced by the Council. As per the risk strategy, option appraisal forms have been presented to Cabinet for all these risks. Cabinet have accepted the risks that have been identified .
- 3.2 The register contains 47 high risks. Heads of Service are currently completing option appraisal forms in respect of these risks, which will be presented to COMT over the coming weeks.

4. Recommendation

- 4.1 It is recommended that the Panel note the report and the arrangements that have been introduced for managing the risks that have been identified on the risk register.

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Risk Register

Contact Officer: David Harwood, Audit & Risk Manager ☎ **01480 388115**

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Risk Ref	Risk Title	Cause & Effect	Inherent Risk (Likelihood X Impact)	Existing Controls	Residual Risk (Likelihood X Impact)	Action Required
1	COMT The Council is not accurate in its assessment of the Govts CTax/budget requirement capping level resulting in the Council being capped /setting CTax at a figure significantly below the capping level resulting in temp or permanent service reductions	Capping: Unplanned withdrawal of all or part of a service, reputation damage, additional costs of re-billing and possible cash flow impact. Too low a Tax: Unnecessary cuts in services, reputation damage.	4 Very High	When the Council makes its decision on the Council Tax and Budget Requirement Level each February it is provided with all the relevant information that is available including Government comments on capping.	2 5 Very High	
8	COMT Staff are unwilling to change their mode of transport and the aims of Corporate Travel Plan are not met, resulting in the loss of car parking spaces for shoppers and other workers within Huntingdon town centre and damage to the Huntingdon economy.	Effect: Huntingdon no longer remains a vibrant shopping centre and community focus Staff leave & recruitment of staff becomes more difficult Local shops & businesses have difficulty in recruiting and retaining staff Car parking fees are introduced for long stay parking Media coverage highlights inconsistency of approach re Directors and Members 'Shopping' journeys outside the District increase which brings additional problems	5 Very High	Financial assistance to be offered to staff within travel to work plan Carshare scheme in place Early consideration of increased home working	4 4 Very High	
9	COMT A civil emergency occurs that affects more than 2000 people leading to the Council's rest centre provision and support proving inadequate.	Effect: No provision to receive, feed and provide sleeping arrangements for people Staff are not aware of their roles and responsibilities No support from other agencies / internal and external contacts Poor communications Inappropriate venues Adverse publicity	5 Very High	Pet Plan - arrangements with shelters and vets etc Venues identified and agreed St Ivo LC able to deal with a maximum of 2290 people	3 5 Very High	

Risk Ref	Risk Title	Cause & Effect	Inherent Risk (Likelihood X Impact)	Existing Controls	Residual Risk (Likelihood X Impact)	Action Required
10	COMT International events which impact on the cost / availability of fuel require the Council to review the importance and frequency of services being delivered.	Effect: Fuel shortages Additional costs incurred in funding fuel Gaps in service delivery Targets not met Public complaints / concern due to changes in services Reputation damage Lead in times for recovery / restock Stocks of fuel targeted Closure / loss of certain suppliers	4 4 Very High	An annual agreement with the WRVS voluntary service to provide additional trained staff and support in the event of an emergency – funding identified for 07/08. Staff Training Liaison with voluntary organisations, local PCTs, Social services etc Out of hours contacts maintained and up to date Food Plan (exercises carried out (desk top) but not formally tested)" Off - site suppliers used "Main 50,000 litre tank (17 days supply when full, delivery after 38,000 litres used leaving bank stock of 12,000 - would provide 4-5 days supply) Service priorities are known Some vehicles are petrol driven	4 4 Very High	

Risk Ref	Risk Title	Cause & Effect	Inherent Risk (Likelihood X Impact)	Existing Controls	Residual Risk (Likelihood X Impact)	Action Required
17	A member of the public is seriously injured or killed whilst visiting or using Leisure Centre facilities because the Council has not provided a safe environment or its staff with sufficient and adequate training.	Effect: Adverse publicity following an incident resulting in death/injury to member of the public. Leisure Centre forced to close pending HSE investigations.	3 Very High	Warning signs displayed Monitoring by staff of usage by customers Customers undergo an induction. Health & Safety Co-ordinator monitors actions taken. Appropriate number of staff on duty. Customers assessed for skin type (sunbeds) and undergo induction Sunbed equipment to British Standards Use of sunbed limited by length of session and number of sessions Regular monitoring of tanning equipment Bather capacity in the pools not exceeded. Defibrillators on site & staff are trained in their use. Regular breaks for lifeguards to maintain alertness Assessment of customer abilities when joining fitness centres. Trained first aiders on site. Trained, qualified and experienced fitness staff & lifeguards.	2 Very High	
22	Users of the Leisure Centres are put at risk due to the employment of staff who are unsuitable to work with vulnerable people.	Effect: Accusation of inappropriate behaviour relating to members of the public and in particular young persons; adverse publicity; legal implications; adverse impact on service provision if all CRB	4 Very High	Each Leisure Centre Manager is a Designated Child Protection Officer References undertaken 1 member of recruitment panel trained in 'safeguarding' issues.	2 Very High	

Risk Ref	Risk Title	Cause & Effect	Inherent Risk (Likelihood X Impact)	Existing Controls	Residual Risk (Likelihood X Impact)	Action Required
124		checks are carried out before employment commences.		<p>HDC Policy and Procedures on Safeguarding Children, Young People and Vulnerable Adults in place. Structure in place to implement action plan arising from Policy.</p> <p>Staff guidance issued;</p> <p>Staff shadowing in place until CRB checks returned</p> <p>Criminal Records Bureau checks are carried out & references (not for Variable Hours staff) taken up;</p>		
104	Loss of Land Charges Revenue to Personal Search Companies	Loss of income	5 Very High	<p>Review and implement possible changes in pricing structure</p> <p>Assess and reduce where possible internal processing costs</p> <p>Implement advertising campaign with potential customers</p>	5 Very High	Implement Review of Processing System and Costs

Risk Ref	Risk Title	Cause & Effect	Inherent Risk (Likelihood X Impact)	Existing Controls	Residual Risk (Likelihood X Impact)	Action Required
16	A member of the public /Council employee is seriously injured or killed due to the Council not providing its employees with either a safe working environment or sufficient and adequate training with regard to the tasks that it requires to be carried out	Adverse publicity following an incident / injury from an RTA involving HDC staff who are driving on Council business; employee driving on Council business without cover; vehicle not roadworthy death / injury to member of staff, public, customer whilst using Council services / facilities, Fire in Council premises / facilities resulting in death / injury to stakeholders, lone working	3 Very High	<p>All staff who drive on Council business self-certify that they have valid driving licences, appropriate insurance and that their vehicle has an MOT (if required). Driving licence check, initial and annual. Driver training.</p> <p>Health and Safety issues are discussed annually</p> <p>Activity Managers are all trained in Health and Safety Management</p> <p>Health and Safety inspections</p> <p>Health and Safety Officer and Committee</p> <p>Quarterly review of all Health and Safety risk assessments and incidents - related action plans are implemented and recorded</p> <p>Induction training in Health and Safety</p> <p>Different training courses available, risk assessments</p>	2 Very High	Investigate the possibility of annual driving licence & insurance checks.

Risk Ref	Risk Title	Cause & Effect	Inherent Risk (Likelihood X Impact)	Existing Controls	Residual Risk (Likelihood X Impact)	Action Required
15	ICT Security is breached causing both the loss of data and a loss of trust in the reliability of the data being held.	Effect: Loss / damage to equipment Adverse impacts on service delivery Deadline slippage Targets not achieved Replacement costs Lead in times for replacement	3 Very High	Access controls Security marking of assets Locks on notebook computers Equipment postcoded Email filtering greatly reducing viruses, trojan software & spam Booking procedures for use of laptops away from the office CCTV unit Back up tapes Caretaker protocols Fire / security protection	2 Very High	
21	Information or data is lost leading to an inability to provide an appropriate service, litigation against the Council and a failure to respond to requests for information.	Effect: Unauthorised access to records and information Breaches in confidentiality Loss of information and data Bad reputation / adverse press Data / software not removed before IT equipment is disposed of Leak of rehousing info - domestic violence case may result in death	4 Very High	Documents held in metal filing cabinets in most cases Staff aware of arrangements for disposal of confidential waste - including use of shredding equipment All incendiary sources away from cabinets, only destruction of building should cause such loss Office access controls Non - active case files routinely stored Staff training, policies and management processes regarding the need for confidentiality Corporate Policy for Records Management & Document Retention"	3 Very High	Encryption software needs to be implemented in order to protect the lost of data.

Risk Ref	Risk Title	Cause & Effect	Inherent Risk (Likelihood X Impact)	Existing Controls	Residual Risk (Likelihood X Impact)	Action Required
104	Delays to the construction of the new A14 may lead to a failure to achieve the longer term development/regeneration strategy for Huntingdon (see cause & effect for full risk)	Delays to the construction of the new A14 may significantly reduce the amount of new development land that becomes available for housing and other developments, leading to a failure to achieve the longer term development/regeneration strategy for Huntingdon and in particular Huntingdon Town Centre, thereby potentially undermining the vitality and viability of the local economy and causing significant problems in term of the Councils ability to deliver new housing, commercial and retail developments and to resist inappropriate planning proposals.	2	<p>All software is removed and hard disks wiped clean by IMD before disposal</p> <p>Staff are encouraged to challenge strangers in secure areas</p> <p>All confidential documents stored in a semi-secure environment</p> <p>Many records held electronically and servers not held on the same floors</p> <p>The Council operates a no smoking policy in it's buildings</p>	2	
107			5	Promote early implementation of the A14 by lobbying the Highways Agency and Central Government and by committing appropriate resources to the upcoming public inquiry etc.	5	

Very High

Very High

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CORPORATE GOVERNANCE PANEL

26 MARCH 2008

**INTERNAL AUDIT SERVICE
INTERNAL AUDIT PLAN 2008
(Report by the Audit & Risk Manager)**

1. PURPOSE

- 1.1 To consider the internal audit plan for the four month period commencing April 2008, attached at Annex A

2. STRATEGIC AND ANNUAL PLANNING

- 2.1 The Audit and Risk Manager is required to provide an opinion on the whole of the Council's internal control environment each year. This opinion also assists the Chief Executive and this Panel when they are preparing the Council's annual assurance statement. The work that is undertaken to allow the audit opinion to be formed is governed in the main by the annual audit plan.
- 2.2 The Internal Audit Service maintains a four year strategic audit plan, listing all the risk and system areas that are considered likely to affect the Council's internal control environment. The strategic plan shows the relative importance of each risk and system area and the frequency with which it should be audited. Over the last 12 months, the Council's risk register has become more robust. All but eight of the 81 risks in the registers have been mapped to, or added to the strategic audit plan. This means that the strategic plan now meets the requirements set out in the Audit Strategy.
- 2.3 To prepare the annual audit plan, the strategic plan is reviewed and audits placed in priority order. The highest priority schemes which can be delivered within the resources available are then included in the audit plan.

3 RESOURCING THE AUDIT PLAN

- 3.1 Two issues relating to staffing matters (maternity leave and the resignation of a member of staff) will affect the overall breadth of coverage that can be provided and consequently the level of assurance that the Panel will be able to take from the Audit & Risk Manager's annual opinion statement.
- 3.2 It is probably that one auditor will be absent until April 2009 on maternity leave. This employee's job share partner is also leaving in May. No decision has yet been taken on how to fill these vacancies. Consequently there is likely to be a net shortfall of 43 audit days in the plan period. Further information on this matter will be presented to the Panel in June, when a decision about how to staff the posts has been taken.

4. RECOMMENDATION

- 4.1 It is recommended that the Panel approve the annual audit and assurance plan for the four month period commencing April 2008.

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Strategic Audit Plan
The Council's Risk Register

Contact Officer: David Harwood, Audit & Risk Manager ☎ **01480 388115**

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Internal Audit Service

Internal Audit
&
Assurance Plan
2008

2008 Internal Audit & Assurance Plan

The Internal Audit & Assurance Plan for the period April – July 2008 has been prepared in accordance with best practice as contained in the 2006 CIPFA Code of Practice for Internal Audit.

The Code requires that Internal Audit provide an opinion on the overall adequacy and effectiveness of the Council's internal control environment and that the opinion should inform the Annual Statement of Assurance on Corporate Governance.

The plan has been developed to take account of this requirement and provides the opportunity for reviews of corporate governance, risk management and operational controls to be undertaken as well as the more traditional financial areas.

The Code also explains for the first time, that sufficient, evidenced work must have been completed before an opinion can be given on the activity that has been reviewed. A number of reviews included in the audit plan have been taken directly from the Council's current risk register. The Panel need to be aware that the internal audit plan is unable to provide, apart from in those areas specifically reviewed, any assurance as to the effectiveness or otherwise of the controls listed in the register.

A summary of the audits planned for the period are listed on the following pages, together with the name of the Liaison Officer responsible for dealing with any audit report or other issue that arises from an audit review. In addition to undertaking the audits detailed in the plan, a review of fraud risks is also being planned. Internal audit are also likely to be involved in providing advice and assistance to managers, advising on new project developments and dealing with any whistleblowing allegations received.

Whilst it is envisaged that all the audits contained in the plan will be undertaken, the identification of any new risks or significant changes in residual risk scores, may require audits to be substituted so as to ensure that reviews are undertaken of areas identified as being of greatest risk to the achievement of Council objectives. Chief Officers and Heads of Service will be informed of any changes before they are introduced.

David Harwood
Audit & Risk Manager
4 March 2008

Corporate Systems

Service Delivery : T Parker 30

The CPA UoR KLOE considers a number of issues with regard to best value. This review will consider how activities are able to show that they are efficient and effective and that opportunities to review and improve processes are identified and acted upon.

Risk Management Arrangements: S Couper 8

Inherent Risk High Residual Risk High

Risk management is an important part of the CPA KLOE and the governance of the Council. This review will consider how well risk management has become embedded into the Authority's business process, the robustness of the risk register and officer training.

Total Allocation 38

Commerce & Technology

Bailiff Service: J Barber 5

Inherent Risk Very High Residual Risk High

Bailiffs are used to recover unpaid Council Tax and NNDR. This audit will examine the systems in place for referring cases to the bailiffs and the process for referring potential difficult customers to them. This area was last reviewed in 2004 and was given limited assurance.

Total Allocation 5

Central Services

Leisure Centres: R Reeves 27

To continually review across the 5 Leisure Centres specific areas of their operation. This year's areas will be agreed with the Head of Service prior to commencement.

Management of Ill Health & Sickness: P Duerden 12

This review will re-examine the Council's "Bradford" sickness monitoring scheme and the effects it has had on the early identification and reduction in sickness. This area was last reviewed in 2004 and was given limited assurance.

Income Generation: I Leatherbarrow 10

Inherent Risk Very High Residual Risk High

The register contains a risk that is concerned with the Council being unable to secure sufficient external funding and grants to continue existing tasks and services. This audit will examine the controls in place to mitigate this risk and the procedures for identifying and bidding for external funds. This area was last reviewed in 2004 and was given limited assurance.

	Audit Days
<p>Monitoring of Recruitment to 'High Risk' posts: P Duerden</p> <p><i>Inherent Risk Very High Residual Risk Very High</i></p> <p>External Audit recommended in 2003 that all 'high risk posts' be identified and that robust procedures are then introduced to reduce the risk of inappropriate appointments. This review will examine the procedures that are in place as well as the CRB process followed in respect of staff who are working with vulnerable people. This area was last reviewed in 2004 and was given limited assurance.</p>	5
Total Allocation	<u>54</u>
 ICT Audit	
<p>CAPS Uni-form: C Hall</p> <p>The Council is consolidating its information systems and the CAPS Uniform system is a key element in the delivery of core information (Planning, Licensing, Public Access, LLPG, Land Charges & Building Control and currently being implemented in Operations and Estates). This review will consider the reliance that the Council has on this system and its financial cost.</p>	5
<p>Safeguarding Data: C Hall</p> <p><i>Inherent Risk Very High Residual Risk High</i></p> <p>The register contains a risk that is concerned with the loss of both personal and confidential data when it is being transferred or used outside of the Council's normal environment. This audit will review the control measures that have been introduced to reduce the risk of this event occurring. This area has not been audited previously.</p>	10
Total Allocation	<u>15</u>
 Operational Services	
<p>Equipment Servicing: R Ward</p> <p><i>Inherent Risk High Residual Risk High</i></p> <p>The Head of Operations manages a risk that is concerned with the proper maintenance of equipment of plant. This audit will examine the controls that have been introduced to mitigate this risk as well as considering if similar risks occur in the Leisure Centres and in respect of plant and machinery in use within administrative buildings. The servicing of equipment was last reviewed in respect of Leisure Centres in 2004 and administrative buildings in 2005. Both areas received a limited assurance opinion.</p>	10
<p>Grounds Maintenance: R Ward</p> <p>To examine the managerial and operational systems and procedures introduced that allow for the monitoring, review and operation of the grounds maintenance service. This area was last reviewed in 2004 and was given limited assurance.</p>	10
<p>Workshop: R Ward</p> <p>To examine the administrative procedures introduced within the workshop to enable vehicles and plant to be regularly serviced, and the vehicles maintained in roadworthy condition. This area was last reviewed in 2004 and was given limited assurance.</p>	10
Total Allocation	<u>30</u>

**INTERNAL AUDIT SERVICE
INTERIM PROGRESS REPORT
(Report by the Audit & Risk Manager)**

1. Purpose

1.1 To receive an interim report on the progress made to deliver the 2007/08 annual audit plan and associated performance issues.

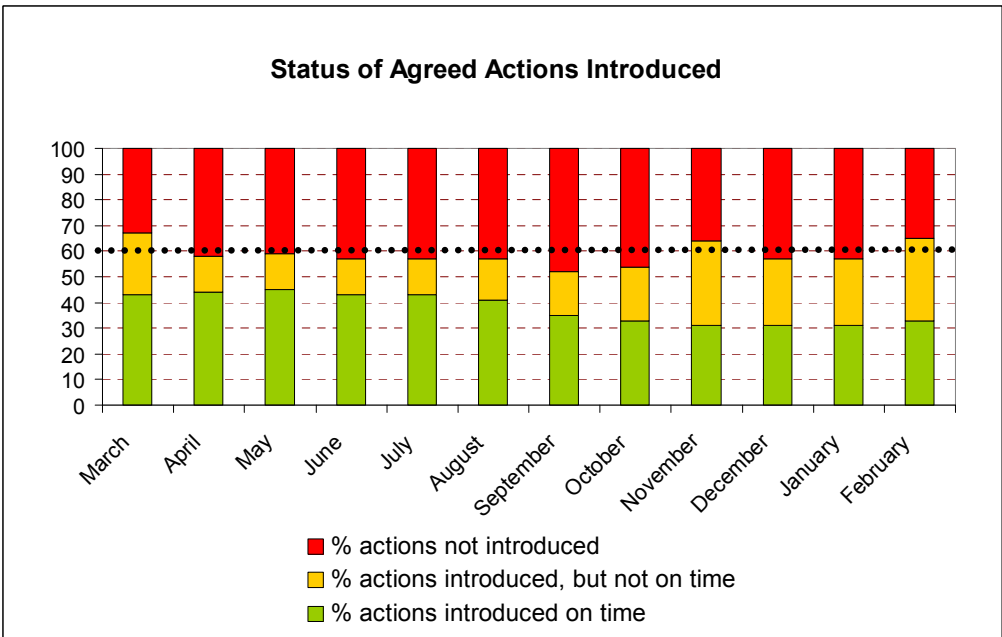
2. Delivery of 2007/08 Audit Plan

2.1 The internal audit plan for the 2007/08 financial year, approved by the Director of Commerce & Technology, contained 44 audit reviews. The audit plan is not a static document but needs to be amended to reflect changing circumstances. Three audits were omitted from the original plan, Housing nominations, risk management and electronic payments. These were replaced with reviews of internet use and monitoring and the procurement process followed for the fit out of the new CCTV control room. These changes give a revised audit plan of 43 audits. In addition to the audit plan, work has also been completed on reviewing information received from the national fraud data matching initiative, ethical governance, the preparations for the delivery of services from the new Operations Centre, the management of maternity leave and fidelity guarantee insurance.

2.2 It is expected that all 43 audits will be completed. Information in respect of audits completed was last reported to the Panel for the period ending August 2007. Details of all the audits that have been completed, or issued in draft since that date are shown in Annex A. All completed audit reports are available via the internal audit intranet pages.

3. Implementation of Agreed Actions

3.1 The performance indicator included in the internal audit service plan, that 60% of agreed actions should be implemented on time has still not been achieved. The target is assessed on a rolling 12 month basis and the graph below illustrates performance from March 2007 to February 2008.



- 3.2 The table above shows that there has been a slight increase in the overall percentage of actions introduced in the 12 month period ending in February, 33% of agreed actions were implemented on time, 32% were late and 35% have not been implemented. The 60% performance indicator has been recently added to each Head of Service's balanced scorecard measures, which are reported to Chief Officers' Management Team quarterly.
- 3.3 Whilst there will be occasions where service issues arise after the dates for introducing actions have been agreed, that quite properly take priority over the introduction of the action, the low overall level of performance will continue to affect my annual assurance opinion and remain a significant issue in the corporate governance statement. The table at Annex B shows the split between red and amber actions and by Directorate.
- 3.4 Of the actions not yet implemented the 9 detailed in Annex C are red actions that must be implemented to solve major control weaknesses.

4. Internal Audit's Performance

- 4.1 Information in respect of the performance of the internal audit service is attached at Annex D.

5. Recommendation

- 5.1 It is recommended that the Panel note the report.

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Internal Audit Reports

Internal Audit Performance Management Information

Contact Officer: David Harwood, Audit & Risk Manager ☎ **01480 388115**

**Summary of Internal Audit work undertaken during the period
1 September 2007 to 29 February 2008**

Audit area	Level of assurance				Agreed action status		
	Substantial	Adequate	Limited	Little	Red	Amber	The risk identified has been accepted by the Manager ¹
Key Financial Systems							
National Non Domestic Rates	✓✓				---	---	
Council Tax	✓✓				---	---	
Housing Benefits ²	✓✓						
Budgetary Control & Management Information		✓			0	2	
Creditors ²		✓			0	2	
Other systems reviews							
Sale and Disposal of Land	✓✓				---	---	
Inspection of Invoices		✓			---	---	
Benefits – National Fraud Initiative		✓			---	---	
Payroll/HR systems		✓			1	9	
Construction Industry Scheme		✓			1	2	
Document Centre: Post & Despatch ²		✓			0	4	1
Concessionary Public Transport Fares		✓			0	6	
Leisure Centres		✓			0	5	
Central Establishment Recharges		✓			0	4	
Electoral Registration			✗		1	5	
Internet Monitoring			✗		1	0	
Controlling Assets ²			✗		0	3	
Management of Trees and Plants ²				✗✗	3	4	
Partnership Working				✗✗	1	1	
Computer Audit							
Virus protection / Spyware		✓			0	3	
Internet monitoring		✓			0	3	3
Business Continuity & Disaster Recovery ²			✗		4	3	

¹ There are occasions when a risk identified during an audit is acknowledged and accepted by a Manager and they decide that no further action is required. The right hand column of this table records all those instances.

² Draft report issued as at 29 February 2008.

Two audit reports – Post contract reporting and assessment and Broadband for Members are not listed in the table above. No assurance opinion was given for either of these audits. This is due to the audits finding that no post implementation review process is in place and the lack of clarity over the benefits that are to be gained from investments in new development areas. These issues have been reported upon in previous audit reports. The lack of progress that has been made in these areas will adversely affect my annual assurance opinion.

All audit reports can be accessed by Members via the Internal Audit intranet site.

REMINDER

Substantial Assurance	✓✓	<i>There are no weaknesses in the level of internal control for managing the material inherent risks within the system. Testing shows that controls are being applied consistently and system objectives are being achieved efficiently, effectively and economically apart from any excessive controls which are identified in the report.</i>
Adequate Assurance	✓	<i>There are minor weaknesses in the level of control for managing the material inherent risks within the system. Some control failings have been identified from the systems evaluation and testing which need to be corrected. The control failings do not put at risk achievement of the system's objectives.</i>
Limited Assurance	✗	<i>There are weaknesses in the level of internal control for managing the material inherent risks within the system. Too many control failings have been identified from the systems evaluation and testing. These failings show that the system is clearly at risk of not being able to meet its objectives and significant improvements are required to improve the adequacy and effectiveness of control.</i>
Little Assurance	✗✗	<i>There are major, fundamental weaknesses in the level of control for managing the material inherent risks within the system. The weaknesses identified from the systems evaluation and testing are such that the system is open to substantial and significant error or abuse and is not capable of meeting its objectives.</i>

**Implementation of Agreed Actions
Summary of the Actions Database as at 29 February 2008**

	Status of Action						TOTAL
	Introduced on time		Introduced Late		Not introduced		
Red Action	8		6		9		23
Amber Action	28		29		29		86
Total	36		35		38		109
% age	33%		32%		35%		
	<i>Red</i>	<i>Amber</i>	<i>Red</i>	<i>Amber</i>	<i>Red</i>	<i>Amber</i>	
Central Services	6	11	0	10	8	17	52
Commerce & Technology	1	7	6	15	1	11	41
Operational Services	1	10	0	4	0	1	16
Total	8	28	6	29	9	29	109

A sample of actions that have been reported as being completed are checked to see that the action introduced sufficiently addresses the risk that has been identified.

In respect of those actions introduced up to 31 January 2008, it was found that the majority of the actions taken were appropriate. Occasionally the action taken does not fully deal with the risk identified. In these cases the action taken is discussed with the appropriate manager and changes to the database are made to reflect the actual position.

'Red' Actions Outstanding

Audit	Head of Service	Action Agreed	Agreed Implementation Date	Head of Service's statement re current position ¹
Staff Capacity and Performance	Head of Personnel	Personal Development Plans are to be completed for all staff.	30/06/2007	The vast majority of these have been completed and returned to HR for inclusion in the corporate training plan. The same arrangements will apply from the Performance Development Reviews being held in May 2008.
Staff Capacity and Performance	Head of Personnel	Local arrangements for the payment of overtime in place within the Operations Division will be reviewed when the Head of Personnel Services reviews part 3, section 2, of the Green Book, in accordance with the national agreement.	30/09/2007	Draft report currently being consulted upon with Operations Division.
Recruitment Advertising	Head of Personnel	Alternative recruitment advertisers will be investigated in order to obtain the best terms and service.	31/07/2007	Investigation completed.
Staff Recruitment	Head of Personnel	A statement of particulars will be issued to the employee within eight weeks of commencing employment.	31/07/2007	System in place.

¹ This is the position as at 29 February.

'Red' Actions Outstanding

Audit	Head of Service	Action Agreed	Agreed Implementation Date	Head of Service's statement re current position ¹
Staff Recruitment	Head of Personnel	All professional qualifications or those that are relevant to the position are to be checked to original certificates. Evidence of the check will be recorded in the employee's personnel file.	30/09/2007	New checklist compiled to commence when recruitment module of Resourcelink HR/Payroll system becomes operational in April 2008.
Staff Recruitment	Head of Personnel	All successful candidates will be checked to ensure that they are allowed to be employed in the United Kingdom.	30/09/2007	System in place.
Asset Register	Head of Financial Services	The Information Manager is to prepare a project/plan to include all of the Authority's assets within the CAPS Uniform system.	30/11/2007	A business case/project plan has been prepared. Discussions to be held with the Head of Financial Services.
Partnership Working	Head of Policy	A Partnership Framework and Guidance document shall be adopted which includes a partnership review process (or Health Check).	29/02/2008	Chief Officers' Management Team have approved a framework and guidance document and review process.
Payroll 2007-08	Head of Financial Services	The Bacstel administration role will be amended to ensure that the payroll manager cannot seal but only sign and send information, and is therefore unable to complete all aspects of the payroll process.	31/01/2008	New provider for Bacstel currently being considered by Financial Services Division. The administration role will change in April 2008 with a change in BACS software.

Internal Audit Performance

1. External audit view of internal audit

Target: Adequate or better
Achieved: Satisfied

- 1.1 The external auditor continues to be satisfied with the work of the internal audit service, as recognised by his positive endorsement at the July 2007 meeting of the Panel.

2. Customer Satisfaction

Target: 85% or more of customers rating service quality as good or better.
Achieved: 12 months to February 2008 - 94%

- 2.1 At the conclusion of all audits, managers are requested to complete an end of audit survey form and give an opinion on the value of the audit. The options available are – excellent, very good, good, fair and poor. Target information is calculated on a rolling twelve month basis rather than by financial year. The figure is based on 18 returns.

- 2.2 The Head of Financial Services has also undertaken his annual customer satisfaction survey with senior managers. This year an electronic survey form was used and the number of responses decreased slightly. Whilst the overall percentage has fallen, it still remains high.

- April 2004 81%
- April 2005 90%
- April 2006 96%
- April 2007 85%

3. Introduction of Agreed Actions

- 3.1 See paragraph 5 of the main report.

4. Service delivery targets

Target: 80% or more of service delivery targets achieved.
Achieved: 12 months to February 2008 – 85%

- 4.1 There are four elements to this target which all relate to the progress of individual audits and the reporting process:

- Complete audit fieldwork by the date stated on the audit brief
- Issue draft audit reports within 15 working days of completing fieldwork
- Meet with customer and receive response allowing draft report to progress to final within 15 working days of issuing draft report
- Issue final audit report within 5 working days of receiving full response

- 4.2 Performance indicators are prepared monthly. The targets are also reflected in staff's key performance development targets within the annual appraisal process. Achievement of the targets requires internal audit staff to develop and maintain good working partnerships and the customer's co-operation throughout the period of the audit.

4.3 Performance at 29 February for each of the target areas is shown below.

	<u>Target</u>	<u>29 February</u> <u>2008</u>
Complete audit fieldwork by the date stated on the audit brief	75%	↑ 93%
Issue draft audit reports within 15 working days of completing fieldwork	90%	↓ 80%
Meet with customer and receive response allowing draft report to progress to final within 15 working days of issuing draft report	75%	↑ 85%
Issue final audit report within 5 working days of receiving full response	90%	↓ 80 %
Overall	82%	↑ 85%

4.4 It is disappointing that two of the measures have fallen below the target figure. Whilst meetings are held with customers within the 15 days, and in most cases a response is obtained during the meeting, occasionally a manager may wish to discuss matters further with colleagues, prior to formally responding. When this occurs, the 15 working day target is usually breached, despite the efforts of audit staff to obtain a response.

4.5 Seven audit reports have been issued outside the 5 working days target. Of these, four have missed the date by three days or less.

5. Service Improvements

5.1 Following the formal review of Internal Audit, reported to the Panel at its last meeting, the two actions that were required to be completed, have been introduced – updating the audit intranet pages and the audit manual. The audit manual requires further revision, to take account of the use that is now being made of the Anite electronic document system. It is expected that these changes will be completed by the 31 May.

5.2 Internal Audit is continually striving to improve its performance. Developments introduced in the previous year include

- the hosting and development of an extranet service amongst Cambridgeshire authorities
- joint working with the County Council and Cambridge City Council
- the introduction of electronic working papers.

Developments planned for the next 12 months include

- reviewing how individual audit opinions will affect mitigating controls recorded in the risk register
- reviewing the fraud risk assessment
- the expansion of the extranet service

5.3 Internal audit work has also continued to be provided to St Neots Town Council.

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WHISTLEBLOWING: ANNUAL REVIEW OF THE POLICY & PROCEDURE

(Report by the Audit & Risk Manager)

1. ANNUAL REVIEW

- 1.1 The whistleblowing policy and guidance are reviewed annually to ensure they continue to be fit for purpose. The policy was introduced to allow any employee, contractor or member of the public the opportunity to report, without fear of victimisation, a serious or sensitive concern (e.g. a potential fraud or corrupt act, any danger to health and safety or the mistreatment or abuse of any customers, particularly children).
- 1.2 This year's review of the policy and guidance has been completed and no changes are considered necessary to either document.

2. PUBLICITY AND MATTERS RAISED

- 2.1 Staff and customers have a number of ways to raise whistleblowing concerns. These include an internet form, a specific email address and dedicated 24 hour telephone. District Wide is used to publicise whistleblowing together with posters that are distributed both inside and outside the Council.

- 2.2 18 concerns have been received through the various whistleblowing reporting channels.

- 12 related to housing or council tax benefit claims
- 3 were concerning potential abandoned vehicles
- 1 was concerned with planning issues
- 1 was concerned with a housing matter
- 1 was referred to the Dept of Work & Pensions.

12 of the concerns were made anonymously.

- 2.3 All of the items reported referred to service delivery issues. None have questioned the honesty or integrity of Council staff. None could be classed as true whistleblowing concerns. No issues need to be brought to the Panel's attention at this time. All the concerns have been reported to the relevant manager.

3. RECOMMENDATION

- 3.1 The Panel are **recommended** to note that a review has been undertaken but that no changes are required to the current policy or guidance.

BACKGROUND INFORMATION

Whistleblowing Policy & Procedure

Whistleblowing allegations received

Contact Officer:

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**TRAVEL PLAN
(Report by the Head of Administration)**

1. INTRODUCTION

- 1.1 At their meeting held on 13th March 2007, the Overview and Scrutiny Panel (Service Support) decided to establish a Working Group to investigate the Council's Travel Plan and the question of travel allowances and incentives/disincentives for Members and Officers to use more environmentally sensitive means of transport.
- 1.2 The findings of the Working Group were submitted to a meeting of the Cabinet held on 21st February 2008 (a copy of their report is appended at Annex A). In their consideration of the Group's recommendations, Executive Councillors questioned why it had been suggested that mileage allowances be changed for Members and not employees and Members also felt that further work was required into alternative methods of transport to discourage the use of private cars by employees in travelling to and from work. In approving the Working Group's recommendations, the Cabinet requested that they be investigated in the context of the emerging Environment Strategy, the car parking action plan and the travel plan. This response was reported back to the Overview and Scrutiny Panel (Service Support) on 11th March 2008.
- 1.3 To take forward the recommendations particularly in respect of Members Allowances, and having been advised that the Members Allowances Scheme was part of the Constitution and that it was the role of the Corporate Governance Panel to advise on any proposed changes to the Council's constitutional arrangements, the Overview and Scrutiny Panel (Service Support) has requested the Corporate Governance Panel to consider that part of the Working Group's report relating to Members Allowances.

2. RECOMMENDATION

- 2.1 It is therefore
- requested that the Corporate Governance Panel consider the content of recommendations (a) – (d) of the Working Group's report and accordingly recommend to Council that the Independent Remuneration Panel be convened.
- 2.2 For completeness, the Overview and Scrutiny Panel (Service Support) has asked the Head of Environmental Management to consider the implications of recommendations (e) – (f) of the Working Group's report in conjunction with the preparation of the new Environment Strategy.

BACKGROUND INFORMATION

Report of the Travel Plan Working Group

Minutes of the meeting of the Overview and Scrutiny Panel (Service Support)
held on 12th February and 13th March 2008.

Minutes of the meeting of the Cabinet held on 21st February 2008

Contact Officer: Miss N Giles
 **01480 387049**

**TRAVEL PLAN
(Report by the Travel Plan Working Group)**

1. INTRODUCTION

- 1.1 At their meeting held on 13th March 2007, the Overview and Scrutiny Panel (Service Support) decided to establish a Working Group to investigate the Council's Travel Plan and the question of travel allowances and incentives/disincentives for Members and Officers to use more environmentally sensitive means of transport.
- 1.2 The Working Group comprised Councillors M G Baker, J A Gray and R J West and has met on a number of occasions in the ensuing months. (Councillor D B Dew was initially appointed to the working group but was replaced by Councillor Gray when he ceased to be a member of the Scrutiny Panel).

2. BACKGROUND

- 2.1 The Council's Travel Plan was approved by the Cabinet in October 2006. It applies equally to employees and members of the Council and is intended to encourage them to make better travel choices by reducing inefficient car usage and promoting healthier travel. In discussing the Plan prior to its approval by Cabinet, the Overview and Scrutiny Panel (Service Support) doubted whether the actions proposed would be sufficient to achieve the targets identified. Members also felt that there was a lack of incentives for employees to discourage the use of private cars to travel to and from work and that there was a need for further consideration to be given to possible concessions to employees to encourage the use of alternative forms of transport such as reductions on season tickets for bus travel.
- 2.2 The Panel also discussed the current scheme for the payment of mileage allowances and was concerned that these tended to favour the use of cars with larger engine sizes. The Panel therefore felt that the Plan provided an opportunity to review both the employees and members schemes.
- 2.3 The employees' car mileage allowances form part of their contracts of employment with the Council. Although pay negotiations are determined locally, travel allowances are part of the wider national agreement approved by the National Joint Council for Local Government Services. Mileage rates are currently determined by engine size as shown in Appendix A attached.
- 2.4 Allowances for members are set by the Council, having regard to the recommendations of an Independent Remuneration Panel. The mileage rates currently are aligned with those of the employees. These were last reviewed by the Panel in their report of November 2006. The Panel had received representations that the mileage allowance for members be reduced to 40 pence per mile which is the rate above which income tax is payable to HM Customs and Revenues. The Panel concluded that

the members' rate should be fixed to that of the employees on the grounds of equity but should track the employees' rate if that should vary at any time in the future.

- 2.5 In establishing a study of the subject, the Service Support Panel asked the working group to look at ways of encouraging the use of more energy efficient vehicles and whether greater incentives could be made available to discourage the use of the car.

3. INFORMATION

- 3.1 The Working Group made extensive enquiries on the websites of other local authorities into their travel allowances and incentives and the content of their travel plans. Information was obtained on the estimated costs of running a car provided on the Royal Automobile Club's website and the taxable allowances operated by HM Customs and Revenues. Enquiries were made into the car sharing arrangements available for employees in Cambridgeshire.

- 3.2 Extensive use was made of the [vcacarfueldata](http://www.vcacarfueldata.org.uk) website which contains data on the emissions of all recently manufactured vehicles.

4. VEHICLE EMISSIONS

- 4.1 With the emerging Environment Strategy and a growing recognition of the importance of carbon footprints, the Working Group felt that the current mileage rates for employees and members based on engine size with no regard to emission values was becoming rapidly outdated. With only three engine bands and the highest being for vehicles with an engine size over 1,200 cc, the great majority of employees and members will be eligible for the maximum rate of 54.4 pence per mile. Tax is payable on that element of reimbursement over 40 pence per mile which HM Customs and Revenues regard as 'profit'.

- 4.2 The Working Group did not feel that it was within its remit to propose an alteration to the mileage rates paid to employees which, as mentioned above, forms part of their contracts of employment. Any change would have to be the subject of negotiation between the Council and the employees and could result in a move from the national to a locally determined scheme.

- 4.3 However, the Working Group did consider that Members could demonstrate their commitment to reducing emissions, reducing their carbon footprint and improving local air quality. By altering the mileage rate for members to one based on emission rates, the Working Group is of the opinion that this may set an example for others to follow.

- 4.4 Information on exhaust emission ratings or 'Euro' standards (expressed as the amount of grams per kilometre of CO₂ emitted) is readily available on www.vcacarfueldata.org.uk. These have been converted to bandings for the purposes of vehicle excise duty which are shown in the following table, together with the VED rates –

Vehicles registered on or after 1st March 2001		Diesel Car TC 49		Petrol Car TC 48		Alternative Fuel Car TC 59	
Bands	CO ₂ Emission Figure (g/km) *	12 months rate £	6 months rate £	12 months rate £	6 months rate £	12 months rate £	6 months rate £
Band A	Up to 100	<u>0.00</u>	-	<u>0.00</u>	-	<u>0.00</u>	-
Band B	101 to 120	<u>35.00</u>	-	<u>35.00</u>	-	<u>15.00</u>	-
Band C	121 - 150	<u>115.00</u>	<u>63.25</u>	<u>115.00</u>	<u>63.25</u>	<u>95.00</u>	<u>52.25</u>
Band D	151 - 165	<u>140.00</u>	<u>77.00</u>	<u>140.00</u>	<u>77.00</u>	<u>120.00</u>	<u>66.00</u>
Band E	166 - 185	<u>165.00</u>	<u>90.75</u>	<u>165.00</u>	<u>90.75</u>	<u>145.00</u>	<u>79.75</u>
Band F	186 - 225	<u>205.00</u>	<u>112.75</u>	<u>205.00</u>	<u>112.75</u>	<u>190.00</u>	<u>104.50</u>
Band G	226+	<u>300.00</u>	<u>165.00</u>	<u>300.00</u>	<u>165.00</u>	<u>285.00</u>	<u>156.75</u>

4.5 Exhaust emissions are not available for vehicles first registered before 1st March 2001. Some examples of the types of cars that fall in the various bands are shown in Appendix B.

4.6 Taken together with the varying excise duty rates, the Working Group considers that the payment of mileage rates based upon emissions may influence Members to choose cars that have less impact on the local environment. A suggested alternative to a mileage allowance based on engine size is:

	First 8,500 miles	thereafter	Element of expense liable to tax
Band A	64.0p	32.0p	24.0p
Band B	56.0p	28.0p	16.0p
Bands C&D	40.0p	20.0p	0p
Bands E&F	36.0p	18.0p	0p
Band G	30.0p	15.0p	0p
Vehicles registered before 1/1/2001	30.0p	15.0p	0p
Motorcycles	24.0p	24.0p	0p

4.7 The allowance is intended to be attractive to those who drive a low emission car and penalise those with a heavy polluting vehicle. The rates are deliberately drawn much wider than the existing allowance based on engine size to provide a greater incentive to change.

4.8 The Working Group do not think that this should be mandatory for existing Members but would hope that most will opt to be paid on the new basis. All newly elected Members would be paid on the emissions rating allowance. This would mean that the Council would have to operate two systems of payment at a small additional administrative cost which the Working Group feels would be far outweighed by the benefits both to the Council and the local environment.

4.9 Any alteration to the Members mileage allowance would have to be agreed by the Independent Remuneration Panel. Enquiries have been

made with the Chairman of the Panel as to whether it would be necessary to reconvene the Panel to approve the change but his view is that this can be dealt with in a convenient manner without the expense of holding a meeting of the Panel.

5. INCENTIVES TO EMPLOYEES

- 5.1 Having regard to the nature of the public transport system and the impracticality of walking or cycling to work because of the distance involved and the lack of dedicated cycleways, the Working Group acknowledge that, for many of the Council's employees, the car will remain for some time the only viable means of travel to work.
- 5.2 That being the case, the Working Group feels that greater encouragement should be given to car sharing which has clear benefits in reducing pollution and improving air quality. The Working Group's attention has been drawn to a number of car sharing initiatives that have been developed with an ability to search on various websites for possible people with whom to share. Car sharing remains, however, a matter of choice for the individual and there is no incentive to encourage the Council's employees to share with colleagues or others travelling to the same location.
- 5.3 Circumstances will change if the Cabinet decide to accept the recommendations of the Car Parking Working Party and introduce car parking charges for the Riverside, Huntingdon and Bridge Place, Godmanchester car parks which will represent a negative incentive to car share for employees to avoid paying parking charges. The Working Group feels that the Council should take a more positive step by reducing charges for those who do car share. This could be limited to one car park only such as Bridge Place where charges currently do not apply. The loss of income that the Council would incur is difficult to predict as this would depend upon take up but, as no charge has been made for this car park in the past, this should not result in any reduction in income compared to previous years. As employees will no longer have the option of free parking in future, this may also help to cushion the impact of charging later in the year.
- 5.4 The Working Group is aware of a concern that an employee who has come to work by car share may encounter a problem in travelling home either during the day in an emergency or at the end of the day if the driver has had to leave early in similar circumstances. Such occasions are likely to be rare but in those isolated incidents, it is suggested that the Council meet the cost of a taxi for the employee to travel home if public transport is unavailable.
- 5.5 The Working Group has discussed how a concession for car sharing might be administered, bearing in mind that tickets will be dispensed by machine for the Bridge Place car park. Information has been presented to the Panel previously that ticket machine are likely to become more sophisticated in their programming which will create an opportunity for greater flexibility in the charging structure. Until that time, a concession for employees could simply be by way of a monthly claim for reimbursement by the driver of a vehicle who has carried a passenger. Verification, if considered necessary, could be undertaken by checking

CCTV records with false claims being a disciplinary offence in the same way as any other allowances claim.

- 5.6 The Working Group also discussed briefly possible incentives for employees to use public transport or travel by foot or cycle. Further investigations will be necessary before any recommendations would be formulated and in order not to further delay this report, the Group will report tot his subject at a future date.

6. POOL CARS

- 6.1 The Working Group investigated the use of the District Council's pool car status and the frequency/mileage of each car to date. The fleet comprises three diesel powered Toyota Yaris and a petrol/electric hybrid Toyota Prius. The pool cars have been specifically chosen for their low carbon emission output. The Toyota Yaris, tax band B, has an engine capacity of 1.3 and emits 119 g/km of CO₂ whilst the Prius, also tax band B, has an engine capacity of 1.5 and emits 104 g/km of CO₂. Although these were not actively promoted during their first quarter (April – June 2007), their usage has provided encouraging results:

Month	Mileage	Cost per mile – private car (54.4p)	Cost per mile – pool car (40p)	Saving £
May	1789	966.06	715.60	250.46
June	1430	772.20	572.00	200.20
July	3756	2,028.24	1,502.40	525.84
August	2714	1,465.56	1,085.60	379.96
September	2625	1,417.50	1,050.00	367.50
October	3616	1,952.64	1,446.40	506.24
November	3871	2,090.36	1,548.40	541.96

- 6.2 As anticipated, active promotion of the pool cars coupled with the loss of onsite parking has caused an increase in their usage in the second quarter reflecting the positive incorporation of the pool car into everyday work. The charge of 40p per mile includes the running costs of the vehicle and, as shown in the table above, highlights the increasing savings made by the Council through their use. The Group welcomes the use of the lower emission vehicles purchased by the Council and foresee their use to a greater extent in the future with increased publicity of their availability to employees and Members.
- 6.3 The Group felt that it would be useful also if it were possible to assess what the saving in CO₂ emissions was from the use of pool cars and in order to monitor the continuous use of the cars, the Group suggest that regular reports be made available highlighting the reductions in both costs to the Council and CO₂ emissions.

7. FINANCIAL PROVISION

- 7.1 As the concept of changing mileage rates to emission rates is an innovative approach, the group researched the potential availability of

funding for publicity and the implementation of the scheme. To date no source has been identified but further enquiries may lead to possible opportunities for support.

8. CONCLUSION

- 8.1 The Working Group is firmly of the belief that the Council should be innovative in its approach to the question of mileage allowances and that incentives should be made available for employees and Members to reduce the use of cars in general and the more heavily polluting cars in particular.
- 8.2 By moving to a different basis for the payment of mileage allowances to members, the Working Group hopes that the Council will be seen as offering an example of good practice that will be followed by others. Positive incentives for car sharing by employees will help to make this more attractive as opposed to individual travel to work in single occupancy vehicles and again may be regarded as a step towards reducing traffic congestion and improving air quality.

9. RECOMMENDATIONS

The working group therefore

RECOMMEND

- (a) that an alternative form of mileage allowance be introduced for Members of the Council as set out in paragraph 4.6 above based upon exhaust emissions;
- (b) that the new mileage allowance be optional for existing Members but compulsory for all newly elected Members with effect from 1st May 2008;
- (c) that the Members' Independent Remuneration Panel be requested to confirm their agreement to the changes to the mileage allowance for Members;
- (d) that the necessary changes be made to the Members Allowance Scheme;
- (e) that employees travelling to work by means of car share be permitted to park in Bridge Place car park at a concessionary rate if car parking charges are introduced for that car park by the Council and suitable arrangements be made to enable those who have car shared to travel home in an emergency if they are left without suitable means of transport;
- (f) that enquiries continue to be made regarding potential funding for the implementation and publicity of the proposed changes to the mileage allowances to Members;
- (g) that regular reports be produced highlighting the savings in both emissions and costs to the Council from the use of pool cars; and

- (h) that further consideration be given to incentives for employees to use public transport, cycling and walking by the Working Group in the future.

Background papers

See Appendix C

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Mileage Rates

Inland Revenue approved mileage rates

Tax Year	Business Miles	Engine <1000cc	Engine 1001-1500cc	Engine 1501-2000cc	Engine >2000cc
2007/08	< 10,000	40 p/mile	40 p/mile	40 p/mile	40 p/mile
2007/08	> 10,000	25 p/mile	25 p/mile	25 p/mile	25 p/mile

Current Huntingdonshire District Council (Councillor)

Mileage Bands	451-999cc	1000-1199cc	1200-1450cc
< 8,500	39.7p	43.1p	54.4p
> 8,500	12.1p	12.0p	14.3p

APPENDIX B

Examples of Vehicles within Tax Bands A – G

TAX BAND (emissions)	MAKE	MODEL	ENGINE CAPACITY	FUEL	CO2 (g/km)
A (up to 100)	Seat	Ibiza	1.4 TDI	Diesel	99
	Volkswagen	Polo	1.4 TDI	Diesel	99
B (101-120)	Citroen	C3	1.6 HDI	Diesel	118
	Peugeot	207	1.4 HDI	Diesel	120
	Fiat	500	1.2	Petrol	119
	Daihatsu	Sirion		Petrol	118
C (121-150)	Honda	Civic - Type S	2.2	Diesel	138
	Toyota	Avensis	2.2	Diesel	146
	Chevrolet	Matiz	1	Petrol	139
	Ford	Ka	1.3	Petrol	150
D (151-165)	Audi	A4 Saloon	1.9 TDI	Diesel	152
	Hyundai	Sonata	2	Diesel	159
	Renault	Clio	1.6	Petrol	160
	Suzuki	SX4	1.6	Petrol	165
E (166-185)	Mazda	5 series	2	Diesel	173
	Renault	Coupe	1.9	Diesel	180
	Chrysler Jeep	Sebring	2	Petrol	185
	Alfa Romeo	159	1.8	Petrol	181
F (186-225)	Skoda	Superb	2.5	Diesel	206
	Land Rover	Freelander 2	2.2	Diesel	224
	Kia	Sportage	2	Petrol	194
	Audi	Cabriolet	2	Petrol	197
G (226+)	Citroen	C6	2.7	Diesel	230
	Nissan	Patrol	3	Diesel	313
	Ford	Galaxy	2.3	Petrol	242
	Toyota	Land Cruiser	4	Petrol	291

BACKGROUND INFORMATION

- Notes of the Travel Plan Working Group
- Reports and Minutes of meetings of the Overview and Scrutiny Panel (Service Support)
- LGA Members' Allowance Scheme
- NJC Officer Mileage Rates
- HDC's Travel Plan
- RAC Report on Motoring 2006: Chapter 4 – Greener Motoring
- East of England Development Agency
- HM Revenue and Customs
- Manchester Green City Campaign
- Driver and Vehicle Licensing Agency
- DVLA Sustainable Development Action Plan (SDAP) April 2007 – March 2008

Websites for the following Councils:

Birmingham City
Bristol City
Dundee City
South Bedfordshire District
Cambridgeshire County
London Boroughs of Bromley
Camden
Havering and Islington
Manchester City
Newcastle Upon Tyne City
North Lincolnshire
West Oxfordshire District
Sheffield City
Sandwell Metropolitan Borough
Southampton City
Warwickshire County

WEBSITES

www.vcacarfueldata.org.uk
www.huntsdc.gov.uk
www.rac.co.uk
www.lga.gov.uk
www.hmrc.gov.uk/green-transport/travel-plans.htm
www.camshare.co.uk
www.peterboroughcarshare.com
www.liftsharesolutions.com/carbudi.asp
www.globalactionplan.org.uk/transportfacts.aspx