



Huntingdonshire District Council

Use of Resources 2008

February 2009

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1 Executive Summary

Background and purpose of the report

- 1.1 Under the Audit Commission's Code of Audit Practice we are required to reach a conclusion on whether Huntingdonshire District Council (the Council) has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').
- 1.2 We described in our Annual Report to the Corporate Governance Panel (September 2008) the areas of audit work that provide us with the assurance that contributes to our annual VFM conclusion. This report sets out our findings from one of these pieces of work:
- our assessment of the Council's Use of Resources, using the Audit Commission's five themes and key lines of enquiry ('KLoE') criteria.

Key messages

- 1.3 The Council has made improvements in its Use of Resources arrangements and performance during 2007/08 to demonstrate an improved assessment rating in the internal control theme. However, there has been a decrease in the score for financial reporting from level three to level two. The theme scores for 2007 and 2008 are summarised in the table below.

Use of Resources theme	2007 score	2008 score
Financial reporting	3	2
Financial management	3	3
Financial standing	3	3
Internal control	2	3
Value for money	3	3

- 1.4 Further details of the work undertaken to support our 2008 Use of Resources assessment are given in section two.

Way forward

- 1.5 There have been significant changes to the Use of Resources assessment criteria for 2009 as part of the new Comprehensive Area Assessment. The new assessment framework is more demanding than the current one, is broader in scope and

embraces wider resources issues such as people and workforce planning, and the use of natural resources. It also places more emphasis on outcomes for local people. The KLoEs are more strategic and focus explicitly on value for money achievements rather than processes. The Council has a strong track record on process, demonstrating outcomes will be a significantly greater challenge. The role of Members and the quality of their scrutiny in affecting outcomes will be the subject of detailed review in the new framework.

- 1.6 Therefore, in reporting areas for development identified from our 2008 assessment, we have highlighted those where it will be important for the Council to demonstrate effective arrangements in 2009.
- 1.7 We will continue to work with the Council during the year to help prepare for the 2009 Use of Resources assessment.
- 1.8 We would like to take this opportunity to remind the Corporate Governance Panel of the need to monitor implementation of the recommendations (see Appendix A).

Use of this report

- 1.9 This report has been prepared solely for use by the Council to discharge our responsibilities under the Audit Commission Code of Audit Practice and relevant auditing standards and should not be used for any other purpose. No responsibility is assumed by us to any other person.
- 1.10 This report includes only those matters that have come to our attention as a result of performance of the audit. An audit of Use of Resources is not designed to identify all matters that may be relevant to those charged with governance. Accordingly the audit does not ordinarily identify all such matters.

Acknowledgements

- 1.11 We would like to record our appreciation for the co-operation and assistance provided to us by the Council's management, officers and members during the course of our audit.

Grant Thornton UK LLP
February 2009

2 Use of Resources

Introduction

- 2.1 We summarise in this section matters arising from our Use of Resources key lines of enquiry ('KLoE') assessment for 2008.
- 2.2 In carrying out our audit work we comply with the statutory requirements governing our duties, set out in the Audit Commission Act 1998, in accordance with the Code of Audit Practice (the Code).
- 2.3 The Code requires us to issue a conclusion on whether the Council has proper arrangements in place for securing economy, efficiency and effectiveness in the use of its resources.

Approach to the audit

- 2.4 The assessment was carried out between July and October 2008. We reviewed the Council's arrangements against eleven KLoEs within the five themes prescribed by the Audit Commission.
- 2.5 Our work was based on review of the Council's self assessment and supporting evidence, meetings with senior management and other key officers. We also considered and updated the findings from our local risk based use of resources work carried out during the year and from our September 2008 value for money conclusion.

Key audit findings

- 2.6 The overall conclusion that we issued in September 2008 was that the Council has at least adequate arrangements for ensuring value for money in its use of resources. This was derived from the conclusions that we reached on the Council's management arrangements in a number of areas. We described the components of the use of resources conclusion and reported key messages in our Annual report to the Corporate Governance Panel.
- 2.7 We have now concluded our 2008 KLoE assessment and have submitted the scores to the Audit Commission for national quality control. These scores were formally released by the Audit Commission on 8 December.
- 2.8 The 2008 KLoE scores, with comparative 2007 scores, are shown in the table overleaf.

Theme and KIoE	Score 2007	Score 2008
Financial reporting		
Annual accounts	3	2
External accountability	3	3
	3	2
Financial management		
Medium term financial planning	3	3
Managing performance against budgets	2	3
Managing assets	3	2
	3	3
Financial standing	3	3
Internal control		
Managing significant business risks	2	3
Maintaining a sound system of internal control	2	2
Ensuring probity	3	3
	2	3
Value for money (VFM)		
Current achievement of VFM	3	3
Managing and improving VFM	3	3
	3	3

Explanation of scores for 2008	
1	Inadequate - below minimum standards
2	Performing adequately - meeting minimum requirements
3	Performing well - above minimum requirements
4	Performing strongly - standard setting performance

- 2.9 The key findings in each of the themes, and areas for improvement, are set out below.

Financial reporting

- 2.10 The Council has moved from a level 3 to level 2 for this theme. This is as a result of a decrease in the score for KLOE 1.1 which assesses the adequacy of the Council's financial and accounting arrangements. One of the areas assessed is the completeness of the accounts submitted for audit. At the start of the audit of the accounts, a new requirement to make full financial instruments disclosures had not been fully met. Also, as a result of the audit a number of non-trivial adjustments were made to the accounts. These issues prevented the Council from achieving level 3.
- 2.11 The Council has continued to publish good quality summary financial information in District Wide, the decision to not publish an annual report prevents the Council from achieving a level 4 for this KLOE.
- 2.12 'Preparation of accounts' and 'publishing reports' remain as key components in the 2009 Use of Resources assessment (KLoE 1.3). It will remain important for the Council to:
- ensure its accounts comply with accounting standards and SORP requirements and are free from significant errors;
 - prepare good quality working papers to support the annual accounts, and
 - ensure that the annual report or similar document includes information and analysis about the council's environmental footprint.

Financial management

- 2.13 The Council has continued to have good business planning arrangements this year despite changes to financial regulations. Therefore there is no change from level 3.
- 2.14 The business plans inform the Medium Term Plan ('MTP') which is aligned to the overall Council budget. Business planning is integrated with financial planning and service plans show clear links to the Council's corporate priorities. Requests for additional funding have to demonstrate alignment with the Council's priorities.
- 2.15 The Council has improved on its budget monitoring during 2007/8 and has achieved level 3 in this area. Monthly budget monitoring reports now include sections on risks and opportunities. Quarterly reports to Chief Officer's Management Team include both financial and non-financial performance information.
- 2.16 The Council achieved level 2, a decrease from the prior year, for its asset management arrangements with the use of auditor discretion. The Council's Asset Management Plan was not subject to review in the year and was not, therefore, considered to be up-to-date. However, there is evidence to support that, in the absence of the Plan being updated, the Council is still responding to, and planning action in response to government guidance. Further, we consider that sufficient

asset management reporting arrangements were in place during 2007/8 to achieve level 2.

- 2.17 'Integrated financial planning,' 'medium to long term financial planning,' 'financial governance and leadership' and 'financial monitoring and forecasting' remain as key components in the 2009 Use of Resources assessment (KLoE 1.1 and 1.3).
- 2.18 It is important for the Council to further develop its financial management arrangements and to ensure that these are integrated with other corporate processes, to consider the service and financial plans of key partners and stakeholders and to demonstrate improved outcomes as a result of these processes.

Financial standing

- 2.19 The Council continues to have sound financial standing. There was an underspend against the 2007/8 budget and the Council did not need to fund revenue expenditure from its reserves as initially planned, adding £833k to its general fund and earmarked reserves. There is no evidence that the underspend resulted in services not being delivered as planned. The Council recognises that significant challenges remain in protecting its financial standing into the future with a clear need to continue to identify further efficiencies.
- 2.20 Treasury management arrangements remain largely sound and the Council was not affected by the recent collapse of Icelandic banks.
- 2.21 'Managing spending' forms part of KLoE 1.1 in the 2009 assessment. We will continue to assess the Council on its financial standing but with an increased forward looking focus on management of financial balance along with the delivery of strategic priorities.

Internal control

- 2.22 The key area of improvement in the year for arrangements to manage business risks has been the embedding of training on managing business risks to members and specifically officers. All Heads of Service have received training on risk management and have quarterly meetings with the Council's Insurance and Risk Officer to discuss their risks. All staff receive introductory risk management training as part of the Council's induction programme.
- 2.23 The level of improvement, and the embedding of training arrangements for officers with responsibility for managing business risks, has led to the Council being assessed at level 3. This is an improvement on the prior year assessment.
- 2.24 We have assessed the Council's arrangements for maintaining a sound system of internal control as adequate (level 2). Although a framework and process were agreed in February this was too late in the assessment year to demonstrate that it was operating effectively and did not need further development.

- 2.25 Arrangements for anti-fraud and corruption and promotion of good conduct continue to be developed at the Council and there is a relatively strong anti-fraud culture apparent throughout the organisation. There have been no significant instances of fraud reported and the Standards Committee has not reported any significant breaches of codes of conduct.
- 2.26 The preventative arrangements at the Council, such as the whistle-blowing policy and anti-fraud and corruption policy are given prominence on the Council's intranet site.
- 2.27 Arrangements continue to be strong in relation to benefit fraud prevention and the National Fraud Initiative.
- 2.28 The Council continues to be assessed at level 3 for KLOE4.3.
- 2.29 'Principles of good governance,' 'ethical framework and culture,' 'partnership governance,' 'risk management,' 'counter fraud and corruption' and 'system of internal control' remain as key components in the 2009 Use of Resources assessment (KLoEs 2.3 and 2.4).
- 2.30 We will continue to assess the Council on these and other aspects of internal control but with an increased focus on the effectiveness and outcomes of arrangements, including the demonstration of a strong and improving culture of governance, conduct, risk management and internal control. The role of members and the effectiveness of Scrutiny Committees, the Standards Committee and the Corporate Governance Panel will be a key part of the new process.

Value for money

- 2.31 We assessed the Council as retaining level 3 in the achievement of value for money ('VFM'). Benchmarking data indicates an overall positive relationship between the cost of the Council's services and the quality provided to local residents.
- 2.32 Overall, in the Council's priority areas, comparative performance matches or is better than expected for the level of comparative spend. The Council has a good track record of improvement for priority services and has maintained its council tax charge within the lowest 10% of district councils.
- 2.33 Satisfaction with the Council is high for most key services. Where the Council has high levels of spend it has been able to adequately demonstrate that these are linked to its priorities and there are high levels of customer satisfaction with the services being provided, for instance, with leisure services.
- 2.34 The Council has good arrangements in place for managing and improving VFM and has achieved level 3.
- 2.35 The Council has improved its arrangements for ensuring that good quality data is produced through the implementation of its Data Quality Strategy during 2007/8.

- 2.36 The Council also introduced a Partnership Framework during 2007/8 against which all Partnerships are assessed to ensure that they are not duplicating activities and are providing value for money.
- 2.37 The Council has demonstrated how developments in IT have impacted on service delivery including the successful introduction of the Council's Call Centre. This has received a Charter Mark rating and receives high levels of customer satisfaction. Investment in the Council's website has helped to double the number of forms submitted to the Council via this method over the last twelve months.
- 2.38 There is no distinct VFM KLoE in the 2009 Use of Resources assessment, as arrangements for, and achievement of, VFM will be measured across all of the KLoEs. The Council will, therefore, need to continue to demonstrate that it is improving VFM for the local community.

Use of resources 2009

- 2.39 From 2009, the use of resources assessment considers how well organisations are managing and using their resources to deliver better value for money and better and sustainable outcomes for local people. The assessment is structured into three themes that focus on the importance of sound and strategic financial management, strategic commissioning and good governance, and the effective management of natural resources, assets and people.
- 2.40 The assessment will use the Audit Commission's current four point scale and there will be clear expectations around the demonstration of improved outcomes in order to perform well.
- 2.41 Further details of the 2009 framework can be found at Appendix B.

Appendix A Action Plan

This action plan includes recommendations intended to assist the Council in achieving compliance with the requirements of performing well within the Use of Resources framework in 2009. Our priority system grades the most significant recommendations as priority 1. This action plan should be considered alongside the changes to the 2009 assessment described in Appendix B. Furthermore, we have completed a separate review of IT that has an associated action plan. Officers have agreed to this action, and therefore these actions have not been repeated here.

Ref	Recommendation	Priority	Management response	Responsibility	Timetable
1	Outcomes arising from the Council's processes, especially where these have been revised, should be evidenced. A key feature of the revised assessment will be to demonstrate outcomes.	1	Agreed, Policy & Strategic Services will request information from relevant Heads of Service and collate evidence.	P&SS Heads of Service	Request information Feb 2009. Collate evidence by May 2009.

Ref	Recommendation	Priority	Management response	Responsibility	Timetable
2	The Council should ensure that it is regularly reviewing its Asset Management Plan and that this is reported on to Members.	1	<p>A report on the AMP was submitted to Cabinet on the 29 January 2009, containing information on the performance indicators for the last two years.</p> <p>Monthly meetings are held with the Cabinet member responsible for property and asset management.</p> <p>The Asset Management sub group will be meeting during the year to review related issues and to prepare information for the performance indicators.</p> <p>The Estates and Property Manager will organise any further reports and co-ordinate meetings.</p>	Estates and Property Manager	Ongoing

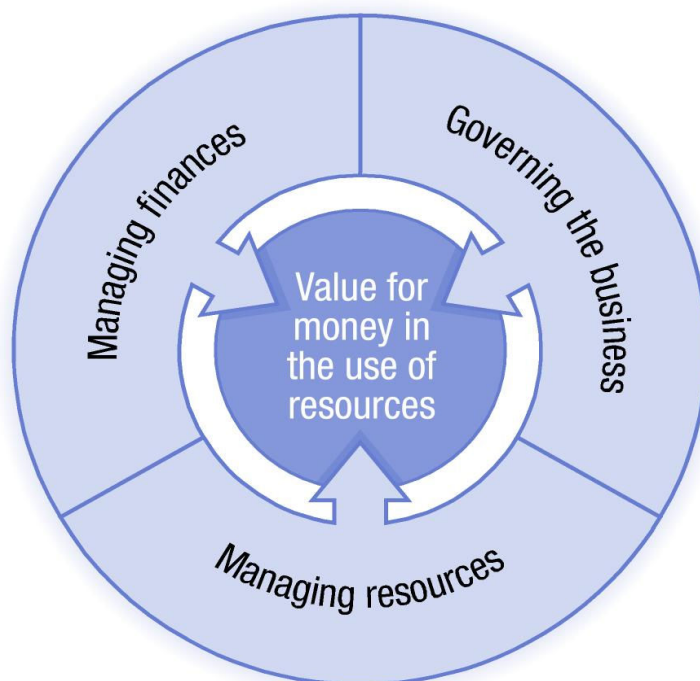
Ref	Recommendation	Priority	Management response	Responsibility	Timetable
3	The Council should develop its risk management, governance, procurement and ethical framework processes to cover significant partnerships.	1	<p>Risk Management Strategy already reflects this.</p> <p>Code of Procurement will be amended to include references to Partnerships</p> <p>The Council's Partnership Guidance Handbook and Healthcheck Questionnaire will be amended to reflect these aspects.</p>	<p>Procurement Manager</p> <p>P&SS</p>	<p>March 2009</p> <p>March 2009</p>

Ref	Recommendation	Priority	Management response	Responsibility	Timetable
5	The Council should develop and formalise an assurance framework which documents how the Council is ensuring the achievement of its priorities. Sources of assurance informing the Framework should be subject to regular review.	1	<p>The Corporate Governance Panel approved an Assurance Framework in March 2008. The sources of assurance include:</p> <ul style="list-style-type: none"> • Risk register • Compliance with the code of Governance - 6 core principles • Progress report on the actions identified in the AGS • Quarterly performance reports to COMT/O & S and Cabinet. <p>Progress/assurance will be reported to the Governance Panel for monitoring</p>	P & SS & Financial Services	March 2009 and half yearly thereafter to CGP.
6	The Council should ensure that information and analysis about its environmental footprint is made publicly available.	2	Already planned	Head of Environment	First annual report September 2009

Appendix B Use of Resources from 2009

The use of resources assessment forms part of the joint inspectorates' framework for Comprehensive Area Assessment (CAA), which takes effect from 2009. The inspectorates, including the Audit Commission, propose that CAA will consist of two assessments - of the area and of the organisations in an area. The area assessment will look at how well local public services are delivering better results for local people against local priorities and how likely they are to improve in future.

From 2009, the use of resources assessment considers how well organisations are managing and using their resources to deliver better value for money and better and sustainable outcomes for local people. The assessment is structured into three themes that focus on the importance of sound and strategic financial management, strategic commissioning and good governance, and the effective management of natural resources, assets and people. The three themes are illustrated below.



The new use of resources assessment framework is more demanding than the previous assessment. It is broader in scope and embraces wider resources issues such as people and workforce planning and the use of natural resources. It also places more emphasis on outcomes of local people. The KLoE are more strategic and focus much more explicitly on value for money achievements rather than processes. The KLoEs in each of the three themes are set out in the table overleaf.

Managing finances	Governing the business	Managing resources
1.1 Financial planning and financial health	2.1 Commissioning and procurement	3.1 Natural resources
1.2 Understanding costs and performance	2.2 Data Quality and use of information	3.2 Asset management
1.3 Financial monitoring and reporting	2.3 Good governance and ethical behaviour	3.3 Workforce planning
	2.4 Risk management and internal control	

Each theme comprises of a number of underlying KLoE which are common to all organisations subject to a use of resources assessment under the CAA. This promotes consistency and demonstrates that all organisations within and CAA area are assessed in the same way and to the same standards.

The use of resources assessment will use the Audit Commission's current four point scale with 4 representing the highest level of performance, as follows:

Level	Performance and principles implicit in the KLoEs
1	<p>Inadequate</p> <p>Below minimum acceptable levels of performance. Consistent with an "except for / qualified" use of resources conclusion.</p>
2	<p>Performs adequately</p> <p>Consistent with established professional practice, meeting statutory requirements, operating effectively.</p> <p>Sufficient to address the KLoE demonstrating, for example: organisational leadership and commitment, partnership working, appropriate capacity and skills, informed by priorities with supporting action plans as appropriate.</p> <p>Arrangements that achieve minimum accepted levels of performance.</p>
3	<p>Performs well</p> <p>Implemented effective arrangements that are forward looking and proactive in developing improvement opportunities and include more sophisticated measuring and assessment techniques.</p> <p>Outputs and outcomes demonstrate effective arrangements that have the intended impact, and where appropriate show evidence of effective partnership working.</p> <p>Evidence of performing consistently above minimum acceptable levels and achieving value for money.</p>

Level	Performance and principles implicit in the KLoEs
4	<p>Performs excellently</p> <p>Demonstrating innovation or best practice.</p> <p>Demonstrating strong outcomes for the community including through partnership working.</p> <p>Evidence of performing well above minimum acceptable levels and achieving excellent value for money.</p>



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