



## **Huntingdonshire District Council**

### **Value for Money Conclusion 2009/10**

**September 2010**

| <b>Contents</b>                 | <b>Page</b> |
|---------------------------------|-------------|
| <b>1 Executive Summary</b>      | <b>1</b>    |
| <b>2 Scope of our work</b>      | <b>4</b>    |
| <b>3 Managing finances</b>      | <b>6</b>    |
| <b>4 Governing the business</b> | <b>9</b>    |
| <b>5 Managing resources</b>     | <b>12</b>   |
| <b>Appendix A Action Plan</b>   | <b>14</b>   |

# 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 Audit Plan (December 2009) 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 these pieces of work to arrive at the unqualified conclusion

## Key findings and action required by the Council

- 1.3 The wider requirements of the Use of Resources (UoR) assessment have recently been abolished and will not be formally scored for this year. However, we set out in this report discussions of each theme and areas for improvement based on the work we had completed at the time the arrangements ceased.
- 1.4 The headline findings are as follows:
  - The Council has identified weaknesses in compliance with its Code of Procurement and contract management. A number of actions were implemented which have resulted in improvements.
  - In common with many local authorities, the Council is experiencing significant financial pressures and having to revisit its short to medium term financial plans. The Council has already planned to meet its budget deficits over the next three years from its revenue reserves; however, it is anticipated that reduced funding is likely to increase the gap that needs to be met. This means that unless resulting gaps are addressed through savings or other means, reserves will be used up more quickly than planned. It is imperative that the Council reviews its medium term financial plans in light of public sector spending pressures.
  - The Council remains a strong performer in preventing and stopping housing benefit fraud and in August 2009 the Fraud Team was short-listed as a finalist for an award in 'Excellence in Anti-Fraud' by the Institute of Revenues Rating and Valuation (IRRV). In the current economic climate it remains as important as ever for the Council to demonstrate publicly its commitment both to stopping fraud and to dealing quickly with identified fraudsters.

- To support our conclusions in the good governance theme, spot-checks of two performance indicators have been undertaken. No significant data quality issues were identified as a result of this work. We also considered the results of our mandatory work on housing benefits, which did not give rise to any significant data quality concerns.
- 1.5 The key actions for the Council, relevant to the areas covered by our audit, are as follows:
- the Council should take immediate action to review its short to medium term plans for using its revenue reserves to support spend, identify revised budget deficits and how these will be met if reserves are not available to fund the gaps, and
  - the Council should develop detailed and realistic savings plans. These plans should be developed to include the findings of service reviews and the outcomes of the budget consultation which is currently in progress.

### Way forward

- 1.6 As the Use of Resources framework has now been abolished the weaknesses identified will not be followed up specifically through an assessment process. The Council should look to develop action plans on those weaknesses that link directly with Corporate Priorities.
- 1.7 Given the scale of the pressures facing public bodies in the current economic climate, the Audit Commission has reviewed its work programme for 2010/11 onwards. As part of this exercise, the Audit Commission has been discussing possible options for a new approach to local value for money (VFM) audit work with key national stakeholders.
- 1.8 From 2010/11 auditors will look to apply a new, more targeted and better value approach to their local VFM audit work. This will be based on a reduced number of reporting criteria specified by the Audit Commission, concentrating on:
- o securing financial resilience; and
  - o prioritising resources within tighter budgets to achieve VFM.
- 1.9 Scored judgements will no longer be made in relation to local VFM work.

**Grant Thornton UK LLP**  
**September 2010**

## 2 Scope of our work

### Introduction

- 2.1 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). The Code requires us to issue a conclusion on whether Huntingdonshire District Council ('the Council') has proper arrangements in place for securing economy, efficiency and effectiveness in the use of its resources ('VFM conclusion').
- 2.2 Our VFM conclusion is informed by our use of resources work which, in Councils, is based on the Audit Commission Use of Resources (UoR) assessment. However, prior to conclusion of our work the new Coalition Government abolished the Comprehensive Area Assessment (CAA), which included the requirement for a scored UoR assessment.
- 2.3 Notwithstanding this, although we are not able to report scores for 2009/10 it is important to provide feedback on the work that we have completed to date. We set out below improvements identified since the previous year and assessed where there are opportunities to address areas of weakness.

### Approach to the audit

- 2.4 The assessment was carried out between December 2009 and May 2010. We reviewed the Council's arrangements against eight KLoEs within the three UoR themes prescribed by the Audit Commission. Our work was based on review of written evidence and meetings with senior management and officers.
- 2.5 The key findings in each of the themes, and areas for improvement, are set out below.

### Acknowledgements

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

## Use of this report

- 2.7 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.
- 2.8 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.

## 3 Managing finances

3.1 The managing finances assessment covers the following areas:

- planning finances to deliver priorities and sound financial health
- sound understanding of costs and performance / achieving efficiencies
- timely and reliable financial reporting and meeting stakeholder needs.

### **Planning finances to deliver priorities and sound financial health**

3.2 The Council regularly reviews its Corporate Plan to ensure it incorporates all of the Council's policies and strategies. The Plan sets priorities and objectives together with targets. The Council's Medium Term Plan (MTP) is focussed on this with all proposals for additional spending being required to demonstrate which objectives they relate to and what their impact will be. The Council can demonstrate that it has reviewed its MTP to take into account the current economic conditions.

3.3 However, since our review there have been significant changes announced in relation to government grant allocations and future funding. The Council will need to ensure that the impact of these and the requirement to find savings beyond those that had been anticipated and planned for as part of the MTP are taken into account in all future financial planning. The Council also needs to ensure that there are realistic plans to ensure the savings required are delivered without significantly impacting on the quality of services provided. We note that the Council is in the process of consulting on future spend and priorities with residents as part of a budget consultation exercise. The findings of this consultation will also need to inform future financial plans.

3.4 The Council's current medium term financial plan relies on reserves to fund deficits against its planned budget until 2013/14 when revenue reserves will be at a level of £3m, the amount agreed by the Council that revenue reserves should not fall below. With a view that RSG allocations are set to fall by 25% over a period of four years from 2011/12, the Council should take immediate action to review its plans for using its reserves and identify revised budget deficits and how these will be met if reserves are not available to fund the gaps.

### **Sound understanding of costs and performance/achieving efficiencies**

3.5 Whilst there are processes in place for costs and activity to be taken into consideration when planning service delivery, the Council did not demonstrate this effectively and provided limited information on how it is working to understand its cost drivers and the factors that influence these. Given the financial pressures faced by the Council, developing a better understanding of cost drivers so that informed decisions can be made about future service planning and delivery is key.

- 3.6 The Council has a good track record in achieving its annual savings targets and has processes in place for identifying savings that can be reported against NI179. However, an Internal Audit of NI179 Cashable Efficiency Savings gave limited assurance to the processes in place to calculate this figure. The review looked at the rationale and robustness of the calculations used to produce the reported savings. Whilst carrying out this scrutiny function, the need to make various improvements to the Council's processes became apparent and recommendations have been made to improve arrangements.
- 3.7 The Council has a significant target for spending adjustments that it is seeking to achieve through a number of actions including removing any spare budget provision, increasing fees and charges and service reductions, for instance. It is therefore focussed on achieving these rather than efficiency items in isolation. These are considered on an-ongoing basis as well as part of the annual budget setting process.
- 3.8 The Council was able to demonstrate how its Business Analysts routinely use Business Processing Re-Engineering techniques to change the way services work. The Electronic Data Management project has resulted in increased productivity of processing Housing/Council Benefit forms. As part of this, the Council now allows customers to make payments using the Internet. Whilst this is at an early stage there has been a shift of 10% from phone to internet payments. Around 25% of Officer time in the Call Centre is occupied taking payments, so the opportunity for saving is significant. This project is in the early stages of implementation so whilst there is some evidence of improved productivity, savings have not yet been quantified. The Council need to ensure it is fully exploiting all opportunities to make such efficiency savings to increase productivity and reduce its costs.

**Timely and reliable financial reporting and meeting stakeholder needs**

- 3.9 The Council's financial reporting is timely and reliable. There have been no instances in recent years of forecast and actual outturn varying significantly. Spending is controlled and the Council has under-spent in the last four years. The reports to Executive give high level information on performance against revenue budget through the year. However, Members are given the opportunity to contribute to the content of these reports so it is considered that the content of the reports is fit for their purposes. Given future financial constraints and pressures, the Council needs to ensure, however, that it is giving sufficient levels of information in its financial reports to allow Members to gain a clear understanding of the Council's financial position and the significant risks faced.
- 3.10 The Council has taken steps during the year to improve integration of financial and non-financial performance reporting. A working group was formed during 2009/10 to look at performance against strategic priorities and the linkages with budget allocations. This indicates that the Council is taking steps towards gaining a greater understanding of how budgets are linked to corporate objectives and how this then ties into the Council's performance.



- 3.11 The Council prepares its accounts in accordance with statutory guidelines. However, in 2009/10, a number of number of significant adjustments were required to be made to the accounts following the audit. As in the prior year, these were mainly around the accounting for fixed assets.
- 3.12 With the transition to IFRS accounting there will be significant changes to the way fixed assets are accounted for. The Council needs to identify and address all the issues that are likely to impact upon it and have adequate systems and processes in place to ensure that the transition is a smooth process. Restating the 2009/10 accounts to an IFRS basis will assist in this process and should ensure that all major issues are identified prior to the 2010/11 financial statements being prepared.

## 4 Governing the business

4.1 Governing the business theme considers four areas:

- commission and procure quality services tailored to local need
- produce relevant and reliable data and information to support decision making and manage performance
- promotion and demonstrating the principles and values of good governance
- managing risks and maintaining a sound system of internal control.

### **Commission and procure quality services tailored to local need**

4.2 An internal audit review undertaken in 2009/10 on contract management identified a number of breaches of the Council's Code of Procurement. Breaches included:

- non-compliance with EU procurement regulations;
- obtaining only single tenders where competition could have been achieved; and
- not retaining tender documentation.

4.3 An action plan to address the issues identified was approved and implemented by the Council. A subsequent review of procurement practice was completed during summer 2010. This concluded that whilst there are still breaches of Code procedures occurring, these are not considered to be similar in scale or magnitude to those previously identified. The Council will need to ensure that it continues to monitor compliance with the Code.

### **Produce quality data and information to support decision making**

4.4 The Council has a detailed Data Quality Strategy which outlines the aims and arrangements for ensuring good data quality. This covers partnership arrangements and the Council has also taken a lead role in developing a Partnership Data Quality Strategy to ensure that, for example, shared data for National Indicators (NIs) is accurate and reliable. Heads of Service are required to provide assurance statements on the accuracy of data used in reports and compliance with the Council's data quality procedures.

4.5 The Council has been able to provide clear examples of how it uses information to support the decisions it makes and how this has resulted in improved service delivery. An example of this is how data from the Customer Call Centre has been used to identify areas of the district from where lots of enquiries are made. Analysis and sharing of this data led to the deployment of Benefits Officers to local offices within these areas

- 4.6 The Council has taken measures to produce integrated financial and non-financial performance reports. There is also clear evidence of the Council using RAG reporting to address underperformance. For instance, there has been a marked improvement in the time taken to process planning applications following the introduction of a targeted improvement plan which resulted from reporting of underperformance.
- 4.7 Internal audit have undertaken a review of national indicators during the year. Three were specifically reviewed based on a risk assessment of outturn.

**Table 2: Results of performance indicator spot-checking**

| PI ref  | Description   | Significant concerns? |
|---------|---|-----------------------|
| NI 156  | Number of households living in temporary accommodation          | No                    |
| NI 195a | % of Streets that have unacceptable levels of litter            | No                    |
| Local   | The number of dwellings improved by the actions of the Council. | No                    |

**Promote and demonstrate principles and values of good governance**

- 4.8 There is evidence that the Council promotes and demonstrates the principles and values of good governance both within its own organisation and in the partnerships that is involved in. There are supportive working relationships in place between officers and Members and the nature of these relationships are governed by terms of reference and agreed protocols. A Member Development Officer has been appointed by the Council and around 20% of Members now have Personal Development Plans with Plans under development for all Members. The Council has received external funding to support this process.
- 4.9 There are links from the Sustainable Community Strategy through to the Council's corporate plan. To support the achievement of its aims, the Council is in the process of establishing six neighbourhood forums open to the public to enable local people to raise issues of concern in their communities with representatives of relevant authorities and agencies.
- 4.10 The Council has progressed its plan to get independent people on its Scrutiny Panels and therefore involving more stakeholders in the local democracy process. Other enhancements have been made to the Scrutiny function at the Council including regular meetings of chairs and vice-chairs of Committees to monitor performance and reshaping of the function to more closely align with the Council's aims.
- 4.11 There is also a budget consultation currently underway which will inform future service planning.

### **Manage risks and maintain a sound system of internal control**

- 4.12 The Council continues to develop its reporting arrangements in respect of risk management. A recent development has been providing Corporate Governance Panel with details of when controls relating to risks were last reviewed by risk owners to ensure that they are still in place and continue to be effective. Training is provided to all staff and members and support is provided to Heads of Service on a quarterly basis to assist in the review of their risk registers.
- 4.13 The Council has sound counter fraud and corruption arrangements in place. A Member approved counter fraud and corruption strategy is available to all staff. A copy of the Strategy is has been posted to the internal audit intranet site. The Strategy is supported by a Framework (action plan) to ensure the Strategy is being effectively delivered.
- 4.14 The Council has made good progress in processing its NFI matches from the 2008/9 exercise. It has good processes in place for managing this and there is further evidence of the Council improving processes and taking pro-active steps to further manage the risk of fraud occurring at the Council and increasing the likelihood of it being detected. For instance, the Council has purchased further data-matching software which will allow it to data-match across all areas of Council activity to identify potential fraud and error affecting benefits as well as other council services. In August 2009 the Fraud Team was short-listed as a finalist for an award in 'Excellence in Anti-Fraud' by the Institute of Revenues Rating and Valuation (IRRV).

## 5 Managing resources

### **Making effective use of natural resources**

5.1 This KLOE was assessed for the first time in 2009/10 across three areas of activity:

- understanding and quantifying the use of natural resources
- managing performance to reduce its impact on the environment
- managing environmental risks and working effectively with partners to do so.

#### **Understanding and quantifying the use of natural resources**

5.2 The Council has an Environment Strategy: Growing Awareness - A plan for our Environment'. One of the two roles this highlights is Greening the Council which recognises itself as a community leader and how it plans to manage its resource use issues within its estate and lead by example.

5.3 The Council has calculated its carbon footprint and has baseline figures in place for consumption levels of all of its natural resources at its operational sites. It has produced an action plan to assist in the reduction of operational CO2 emissions. The Council is working with the Carbon Management Trust to progress a number of initiatives.

5.4 For instance, a comprehensive strategic review of energy and water use at all 'One Leisure' sites was scheduled to take place in the summer of 2010. The aim of this was to identify where major savings in both energy and water can be made and budgets were in place to implement the projects identified throughout 2010/11. A similar review is scheduled for other major office locations, to be delivered to the same timescales

5.5 The Council has already adopted a corporate Travel Plan and a site specific plan for the headquarters site with the intention of reducing the amount of work related travel by single occupant private car and encouraging a shift to other transport modes. Low emission and petrol/electric hybrid pool cars have been made available for business travel in order to reduce the need for employees to use private cars for travel to work where alternatives are available.

#### **Managing performance to reduce the Council's impact on the environment**

5.6 The Council has an Environmental Management Steering Group which meets on a quarterly basis to review the progress of projects in the Council's environment strategy. Growing Awareness includes a range of targets and indicators for the Council to achieve in terms of reducing its own environmental impact. These are fed into the Council's performance scorecard and performance management arrangements.

- 5.7 Through use of travel plans and monitoring performance against targets contained within it, the Council is able to demonstrate positive changes in the way employees travel to work.
- 5.8 When the Council is planning to redevelop or construct new buildings, there is a policy of ensuring these are sustainable. This is evidenced through the BREEAM Excellent design ratings achieved for Pathfinder House. Initiatives included in the build have been energy saving and sustainable. e.g low energy fittings and recycling grey water. Other buildings have been similarly designed. The provision of recycling facilities at Pathfinder House has resulted in a decrease in levels of waste from this building being taken as landfill.
- 5.9 We note, however, that the Council's current Code of Procurement does not specifically cover sustainable procurement.

**Managing the environmental risks faced and working effectively with partners**

- 5.10 The Council worked in partnership to develop workspace for start up creative businesses and secured £700,000 in growth area funding (GAF II) from Communities and Local Government (CLG) for the project. The building won the British Construction Industry Award for best Local Authority Building 2009. Sustainability was an integral part of the design brief and the building incorporated materials with low embodied carbon, high energy efficiency, rainwater harvesting and a solar thermal hot water system.
- 5.11 The Council has also secured funding from Salix Finance, an independent company funded by the Carbon Trust. One of the forms of funding Salix Finance provides is a loan which, when match funded by local authorities and can be used to develop a local 'invest to save' ring fenced fund. The Council will be establishing a ring fenced fund which will allow it to invest, and reinvest in energy efficient and low carbon technologies to reduce its carbon emissions and energy costs.
- 5.12 As a member of the Cambridgeshire Climate Change Partnership, the Council works closely with partners to develop strategic responses to adaptation. At a local level the Huntingdonshire Environment Forum provides the focus for dissemination of best practice, covering issues such as Energy Management, Community Engagement and Adaptation to Climate Change

## Appendix A Action Plan

This action plan includes recommendations intended to assist the Council in improving its performance in key areas of its activity. Our priority system grades the most significant recommendations as High priority (on a scale of High to Low).

| Ref.                    | Recommendation   | Priority | Management response | Implementation details   |
|-------------------------|--|----------|---------------------|--|
| Exec Summ.;<br>3.3 -3.4 | The Council should take immediate action to review its short to medium term plans for using its revenue reserves to support spend and identify revised budget deficits and how these will be met if reserves are not available to fund the gaps. | High     | In hand             | Will form part of this year's budget reports in November and February.<br><br>Head of Financial Services |
| Exec Summ.;<br>3.3 -3.4 | The Council should develop detailed and realistic savings plans. These plans should be developed to include the findings of service reviews and the outcomes of the budget consultation which is currently in progress                           | High     | In hand             | Will form part of this year's budget reports in November and February.<br><br>Head of Financial Services |

| Ref.         | Recommendation  | Priority | Management response  | Implementation details  |
|--------------|---|----------|--|---|
| 3.3 -<br>3.4 | The Council needs to ensure that its medium term financial planning and annual budget setting processes result in flexible, responsive financial plans being developed that allow the Council to meet its statutory service requirements and its corporate priorities.        | High     | In hand  | Will form part of this year's budget reports in November and February.<br><br>Head of Financial Services                                      |
| 3.6          | The Council should ensure that the improvements identified by internal audit in respect of NI179 are fully implemented in order to provide assurance that savings are properly monitored.   | High     | This NI is of questionable value and has a greater level of subjectivity than other NIs. | The Council will endeavour to report an accurate result without allocating excessive resources to the task.<br><br>Head of Financial Services |
| 3.9          | Given future financial constraints and pressures, the Council needs to ensure that members receive sufficient levels of information in its financial reports to allow them to gain a clear understanding of the Council's financial position and the significant risks faced. | High     | In hand  | Will form part of this year's budget reports in November and February.<br><br>Head of Financial Services                                      |



| Ref. | Recommendation   | Priority | Management response   | Implementation details  |
|------|--|----------|---|---|
| 3.12 | The Council should ensure that its 2009/10 financial statements are restated in accordance with the requirements of IFRS by December 2010. This restatement exercise should be independently reviewed to ensure that the Council has identified and addressed the key issues.                  | Medium   | Agreed  | Accountancy Manager will prepare and discuss with new external auditors when completed.<br><br>December 2010          |
| 3.12 | The Council needs to ensure that its preparation for the transition to reporting under IFRS includes a full review of how it accounts for its fixed assets which includes how it maintains its fixed asset records and the adequacy of the systems and processes it has in place to do this. . | High     | Agreed  | Accountancy Manager will undertake review and discuss with new external auditors when completed.<br><br>February 2010 |
| 4.2  | The Council should continue to monitor compliance with the Code of Procurement. Progress against and compliance with the approved action plan should be reported to COMT. Where non-compliance with the Code is identified explanations should be provided.                                    | High     | The Procurement Manager has introduced systems which should result in him being involved earlier in the procurement process and thus able to ensure that the Code is complied with. | Ongoing   |

| Ref. | Recommendation   | Priority | Management response | Implementation details  |
|------|--|----------|---------------------|---|
| 5.9  | The Council's Code of Procurement should be revised to include guidance on sustainable procurement | Medium   | Agreed              | Procurement Manager will include in next review of Code<br><br>January 2011 |



# Grant Thornton

**[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)**

© 2010 Grant Thornton UK LLP. All rights reserved.

"Grant Thornton" means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton UK LLP is a member firm within Grant Thornton International Ltd ('Grant Thornton International'). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.

This publication has been prepared only as a guide. No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication