

Ipswich Borough Council

Use of Resources – Assessment Results 2009



J Owen Esq
Director
Ipswich Borough Council
Grafton House
15-17 Russell Road
Ipswich
IP1 2DE

November 2009

Dear Sir

Use of Resources – Assessment Results

We are pleased to present the summary results of our assessment of Ipswich Borough Council's Use of Resources, which has been completed in accordance with the methodology and guidance issued by the Audit Commission. Please contact Howard Burton if there are any Use of Resources issues that you would like to discuss.

Yours faithfully



PricewaterhouseCoopers LLP

Cc: I Blofield Esq – Head of Finance
Ms V Moseley – Performance Manager

Contents

Section	Page
Introduction	4
Summary of Key Findings and Areas for Improvement	6
Appendix A - Summary of Data Quality Spot Check Findings	11

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2008 the Audit Commission issued a revised version of the ‘Statement of responsibilities of auditors and of audited bodies’. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end, and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement.

Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.

Introduction

Introduction

We have completed our assessment of the Council's use of resources in accordance with the methodology and guidance prescribed by the Audit Commission. This report sets out our conclusions on how well Ipswich Borough Council is managing and using its resources to deliver value for money and better sustainable outcomes for local people.

The next section of this report sets out the use of resources framework and the results of the assessment, which highlights the areas for improvement based on the criteria devised by the Audit Commission.

Use of resources framework

The new use of resources framework forms part of the Comprehensive Area Assessment (CAA) and comprises three themes:

- Managing Finances – including strategic financial management;
- Governing the Business – including commissioning and good governance; and
- Managing Resources – including natural resources, assets, and people.

Each theme consists of a number of key lines of enquiry (KLoE). The KLoE are generic and applicable equally to all organisations subject to use of resources assessments under CAA. Judgements have been made for each KLoE using the Commission's current four point scale from 1 to 4. These ratings translate into the following assessments:

1 = does not meet minimum requirements – performs poorly

2 = meets only minimum requirements – performs adequately

3 = exceeds minimum requirements – performing well

4 = significantly exceeds minimum requirements – performing excellently

Evidence for each key line of enquiry has been collected through the review of documentation the Council has provided and interviews with key officers.

Summary of scores

A summary of the results of our assessment is provided in the table below.

Theme		2009 Score
1	Managing Finances How effectively does the organisation manage its finances to deliver value for money?	3
2	Governing the Business How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for people?	3
3	Managing Resources How well does the organisation manage its natural resources, physical assets, and people to meet current and future needs and deliver value for money?	3

In overall terms the Council's arrangements for the use of resources in 2009 are considered to be: Exceeds minimum requirements – performing well. However, there is still scope to further embed and demonstrate key outcomes of the Council's use of resources arrangements. We set out the details of these aspects in the next section of this report.

Use of Resources 2009/10

The key lines of enquiry specified for the 2009/10 assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. Our work on use of resources will inform our 2009/10 value for money conclusion.

An additional KLoE, 3.1 - Natural resources will apply to District Councils for 2009/10. However, KLoE 3.2 – Strategic asset management; and KLoE 3.3 - Workforce planning will not be assessed in 2009/10.

The Audit Commission's Organisational Assessment will combine the overall use of resources score with a judgement on a managing performance theme. The managing performance theme assesses how well organisations deliver services, outcomes and sustainable improvements in line with locally agreed priorities, and whether it has the leadership, capacity and capability to deliver future improvements. The Organisation Assessment score was notified to the Council on 19 October 2009, prior to CAA public reporting on 10 December 2009.

Overall management response

The report is welcomed as a fair and balanced view of the position at Ipswich. The recommendations for improvement are helpful and the Council will incorporate these into the 2010 Action Plan.

Summary of Key Findings and Areas for Improvement

Managing Finances

How effectively does the Council manage its finances to deliver value for money?

3

Overview

The Council's robust financial planning arrangements have resulted in proactive action being taken to address areas of resource need and move resources from areas with low demand to those with higher demand. By considering financial planning over the medium term, the Council has been able to improve value for money by developing partnerships, e.g. the joint museum service, and working with external advisors to improve in house service provision, e.g. benefits team.

The Council's consultation arrangements have enabled the community to feedback their needs to the Council, e.g. through local area forums, and has resulted in the Council taking action to address those needs. The robust budgetary control arrangements have resulted in tight control of costs throughout the year, resulting in an underspend against budget. Savings of over £2m have been identified in 2008/09. Implementation of a comprehensive closedown plan has resulted in the Council's draft accounts being prepared to a good standard.

A balanced and realistic revenue budget is in place, which is supported by savings plans. The budget is underpinned by the Medium Term Financial Strategy (MTFS). The MTFS is updated annually along with the annual budget. The Council has a risk based reserves policy and the levels of balances are reviewed against this during the year.

The Council has a treasury management strategy and performance is monitored against the targets set. Whilst the Council had £5m invested in Icelandic Banks at the time of their collapse, these investments were made in accordance with its treasury management strategy and the strategy has been reviewed and amended in light of lessons learned from the Icelandic Banks situation.

The Council has some areas of high cost as a matter of policy choice and has some understanding of its costs across specific service areas.

Overall, the 2008/09 draft accounts were prepared to a good standard, in accordance with the statutory deadlines and financial reporting standards. However, there were some minor disclosure errors.

<p>Key Lines of Enquiry</p> <ul style="list-style-type: none"> • Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health? • Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities? • Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people? 	<p>3</p> <p>2</p> <p>3</p>
<p>Examples of Areas for Improvement</p> <ul style="list-style-type: none"> • Demonstrate further scenario planning and modelling of earmarked reserves • Demonstrate how the financial performance of partnerships is monitored. • Provide evidence on stakeholders views in relation to financial reporting and how these have been taken into account. • Provide evidence in relation to diversity issues in financial reporting (eg who receives services and where the money is spent across demographics and services). • Although some arrangements are in place for equalities impact assessments, there is not yet evidence of full assessments being completed. • Demonstrate further understanding of the Council's costs across specific service areas to related performance and outcome requirements. • Give further consideration to how the Council can demonstrate the outcomes required from key corporate aims, objectives and actions. 	

Overview

The Council consults with local stakeholders and uses partnerships to deliver services where appropriate. The Council has policies and arrangements in place to support data quality and reporting of information to Members. The Council has the basics of good governance in place. Partnership arrangements have been developing and arrangements are now embedded. The Council has strong risk management procedures and a strategy for counter fraud and corruption.

The Council gathers local priorities and needs via the established Area Forum mechanisms and targeted profiling of key wards to address key aspects of community deprivation. The Council has used information from the Joint Strategic Needs Assessment, and its own information sources to inform service reviews.

Procurement staff have a good understanding of the network of suppliers following the full implementation of Agresso P2P

The Council identifies whole life costing and the introduction of risk and reward performance frameworks to assess and evaluate contractual performance and service delivery, as well as sustainability issues.

The Council has an established Efficiency Programme Steering Group and Efficiency Programme Plan to identify and deliver efficiencies and VFM opportunities. Total Council efficiencies for 2008/09 are £2.056m and the procurement team has realised savings of almost £278k. Overall the Council is undertaking a series of reviews that will further extend cost benchmarking and performance improvement opportunities.

The Council's Corporate Plan includes a commitment to manage resources, information and data effectively as part of its underlying principles. Corporate objectives for data quality are formally defined by the Council's Data Quality (DQ) Strategy. The Council has established data quality objectives for all individual departments. Responsibility for data quality has been assigned to the Portfolio Holder for Corporate Development and to a Corporate Director. The issue of data quality is reflected in the Council's Corporate Risk & Performance Improvement Plan and Data quality is included in the Council's operational training plan and a 'Guide to data quality' is circulated quarterly.

The Council can demonstrate its governance arrangements through its comprehensive review of its Constitution in 2008/09, with extensive consultation with Members. The revised Constitution was published in April 2009 and included the roles and responsibilities of Members, officers and Committees. The Council is proactive in raising standards of ethical conduct through the training it provides, with Internal Audit investigating any concerns raised and the Council putting improved controls in place to address any issues.

Embedded arrangements are in place for risk management, and anti-fraud & corruption; whistleblowing policies & procedures available to the public & suppliers via website & linked to Council's code of corporate governance & Risk Management arrangements.

The Council has a sound assurance framework which underpins the Annual Governance Statement (AGS). The AGS is a reflection of the actual activities & control issues identified during the course of the year. During 2008/09 the Council had a balanced Audit Scrutiny Sub Committee delivering the core audit functions. The Audit Scrutiny Sub Committee provides challenge i.e. follow up of audit recommendations & challenge over internal audit work programme in respect of grants to voluntary bodies. Internal Audit is judged to be an effective function.

<p>Key Lines of Enquiry</p> <ul style="list-style-type: none"> • Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money? • Does the organisation produce relevant and reliable data and information to support decision making and manage performance? • Does the organisation promote and demonstrate the principles and values of good governance? • Does the organisation manage its risks and maintain a sound system of internal control? 	<p>3</p> <p>2</p> <p>3</p> <p>3</p>
<p>Examples of Areas for Improvement</p> <ul style="list-style-type: none"> • Continue to proactively demonstrate the effectiveness of the Council's ethical arrangements and whistleblowing procedures. • Continue to ensure the effectiveness of Council partners risk management practices to ensure the appropriate delivery of council projects and objectives. • Further evidence is required on the take up of training by Members and effectiveness of training provided. • Continue to assess and demonstrate that evidence of business continuity testing is undertaken and provide details of the effectiveness of plans tested. • The Disaster Recovery Plan has not been tested. • Give further consideration to good practice in respect of IT security arrangements such as IS027001. • Demonstrate pro-active reporting and monitoring of data quality, or regular programmes assessing underlying Council data. • No evidence was provided for the management and monitoring of implementation of major projects and strategies. • Ensure that the Council can demonstrate key outcomes in respect of its arrangements via the local Voluntary Sector compact, and local charitable 'umbrella' trust. 	

Managing Resources

How well does the organisation manage its natural resources, physical assets, and people to meet current and future needs and deliver value for money?

3

Overview

The Training and Development Policy shows how resources are directed towards priorities using appraisal and the workforce development plan. The Corporate Training Plan and Corporate Development Programme is based on skills needs in services.

The Council has an established 3 year workforce development plan built around the LG framework for workforce Planning that details key indicators, and workforce profile information that is linked to the Corporate Development Business Plan and the HR Operational Plan.

The Council has been involved with preparations for unitary status and work has included a systematic approach to managing the workforce implications. Managing change and innovation and creativity have been topics on the 2007 - 2009 Management Development Programme.

The Council has a comprehensive set of HR policies including diversity practices. The Council has an established Equalities and Diversity Steering Group, which has reviewed progress against the Local Government Equality Standard and has plans in place to achieve 'Achieving' in the new Framework in 2009.

Key Lines of Enquiry

- Is the organisation making effective use of natural resources?
- Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?
- Does the organization plan, organise, and develop its workforce effectively to support achievement of its strategic priorities?

n/a

n/a

3

Examples of Areas for Improvement

- Give further consideration to how the Council can demonstrate level 4 performance in respect of recognition from other regional or national agencies/organisations in respect of the Council's arrangements and sharing of good practices.

Appendix A - Summary of Data Quality Spot Check Findings

The purpose of data quality spot checks on selected data was to confirm whether the Council's arrangements for securing data quality were working in practice, consistently applied, and complied with relevant national and local requirements. Auditors were required to test a sample of data based on priorities and risks. This work was in addition to the work specified by the Commission on housing and council tax benefits data quality. Auditors were then required to consider any significant findings from the spot check reviews to inform the assessment and impact on the use of information in KLoE 2.2.

We reviewed the following Council indicators:

- NI 158 % non-decent council homes:
- NI 185: CO2 reduction from Local Authority operations:
- NI 179: Value for money – total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 financial year:

The following conclusions and observations were noted from our work on Data Quality. These have been previously discussed with officers.

NI 158: % non decent council homes

Overall conclusion: No audit amendments resulted in a change to the reported figure of 15%. **We conclude that this PI complies with the Audit Commission's data quality criteria.**

However, we recommend that the Council should give consideration to the following matters in order to further improve the preparation of this indicator:

- The total number of council homes used in the indicator should agree to the keystone report. (Manual adjustment for the sale of one house on 30 March 2009, that had not been updated to Keystone, was correctly made by the Council in 2008/09). (The total number of homes used in the PI was 8211, the number per Keystone (less sale of one house) was 8164. 8164 should have been used, but does not change the reported PI of 15%.
- From our testing of homes that became non decent during the year, one house had the survey performed in 2005, and therefore this should have been treated as a non decent home in 2005, but it was only changed to a non decent home in 2008/09. This is a timing issue only, as it is correctly treated in 2008/09.
- From our testing of homes that became decent during the year, there was one condition survey form that was unclear as to whether the review was carried out in April 2006 or 2008. From the electronic records, an inspection was due in 2006/07. There was no impact on the indicator calculation, as it had been

correctly treated as decent, but indicated a possible issue of lack of timeliness in updating records. We further recommend that paper surveys are scanned as soon as they are completed, to prevent potential manipulation of data by manually changing dates on the paper survey.

NI 185: CO2 emission reductions

Overall conclusion: The reported NI of 9,187,647kg complies with up-to-date Defra guidelines to ensure validity and reliability. No audit amendments have been made to this figure. **We conclude that this PI complies with the Audit Commission's data quality criteria.**

However, we recommend that the Council should give consideration to the following matters in order to further improve the preparation of this indicator:

- The responsible officer should compile detailed documentation explaining the processes and data sourcing arrangements in place for each group of emissions sources to ensure consistency if the officer were to move post or leave the Council.
- Checks and reconciliations of data from source through to the Defra spreadsheet should be performed and documented on a routine basis to ensure accurate manual transfers of data.
- Further moves towards automated and electronic metering of energy usage will enhance accurate data collection. Such automated/electronic sources should be routinely checked manually and recorded to gain greater assurance as to their accuracy.
- Upon renegotiation of contracts with external providers of services, conditions on suitable measures to allow compilation of emissions data should be included in contracts. Whilst such a policy has been agreed to at the County level, e.g. emissions resulting from the collection and distribution of recycling 'bottle banks' at supermarkets it is not yet accounted for. It has been agreed at County level that arrangements to measure fuel usage will be put in place as and when such contracts are re-negotiated.
- The emissions resulting from the service provided by Guardian Energy to install and record gas meter readings is not measurable as their work for the Council accounts for a small amount of their work and disaggregating their emissions to each contract is not possible. The Council should ask Guardian Energy to find a way of capturing this information in the future.
- Co2 emissions from transport can be traced back to source due to consistent and full referencing of emissions, except for personnel transport use and emissions, as these are not easily traced back to a vehicle register. This is likely to be extremely difficult to monitor as personnel change cars, or use partners' and other non-registered cars for work purposes. Thus, staff cars are all grouped as being average petrol cars for simplicity. This could be improved by inserting an extra box into expense claim forms for staff to give details of the vehicle they used for their journey i.e. registration name, year, model, engine size.

NI 179: Value for money – total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 financial year

Overall conclusion: The Council reported savings as £2,063,021. As a result of Audit amendments this figure was increased by 17% to £2,423,266, which is a material error. **We conclude that this indicator was misstated.**

We recommend that the Council should give consideration to the following matters in order to further improve the preparation of this indicator:

- The sample of savings tested indicated that estimates or roundings to the nearest thousand were included in the calculations, rather than calculated/accurate amounts i.e. the Housing and Council Tax Benefit saving was included in the indicator calculation as “£402k”, when the supporting evidence from the general ledger showed a saving of £763,845.67. The supporting evidence for the Mobile Phones procurement savings showed £33,400, but was included in the calculation as £35,000.

In overall terms we would recommend that the Council give further consideration to:

- Its arrangements for identifying, setting and subsequently reporting cash-releasing/efficiency savings.
- Ensure adequate documentation is available to track and demonstrate that efficiency savings and that they will be on-going for at least two years;
- Appropriate, related service indicators are also set up to demonstrate the impact on relevant service delivery;
- Tracking reports to management ensure that service delivery does not deteriorate as a result of cash-releasing/efficiency initiatives or adversely impact on the overall operations of the Council;
- Where ‘cash’ releasing savings are generated, the Council should be able to identify what and how resources have been freed up for use elsewhere and is able to demonstrate its subsequent impact; and
- Ensuring that detailed and accurate audit trails are maintained for each of the Council’s PIs that are submitted. Consideration should be given to requesting Internal Audit to carry out proactive reviews of data quality arrangements throughout the year and not just at year end.

In the event that, pursuant to a request which Ipswich Borough Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Ipswich Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Ipswich Borough Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Ipswich Borough Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

©2009 PricewaterhouseCoopers LLP. All rights reserved. PricewaterhouseCoopers refers to the United Kingdom firm of PricewaterhouseCoopers LLP (a limited liability partnership) and other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.