

Peterborough City Council

Use of Resources – Assessment Results

The Audit Committee
Peterborough City Council
Town Hall
Bridge Street
Peterborough
PE1 1HQ

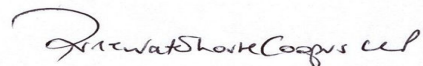
October 2009

Ladies and Gentlemen

CPA – Use of Resources – Assessment Results

We are pleased to present the summary results of our assessment of the Council's use of resources, which has been completed in accordance with the methodology and guidance issued by the Audit Commission. Please contact Chris Hughes on 0207 804 3392 or Julian Rickett on 0207 804 0436 if there are any issues you would like to discuss with respect to this report.

Yours sincerely



PricewaterhouseCoopers LLP

cc Nigel Smith, Audit Commission Relationship Manager

Contents

37

Section	Page
Introduction	4
Assessment results	6

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.

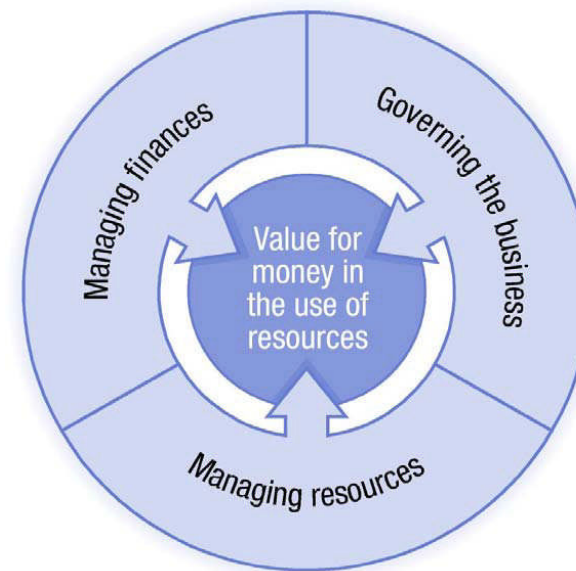
Introduction

Introduction

From April 2009, the Audit Commission has been implementing comprehensive area assessment (CAA), jointly with the other public service inspectorates. The audit year 2008/09 is a year of transition to CAA. Our use of resources judgements in 2008/09 will therefore input into the first results of CAA which the Audit Commission will report on in November 2009 as well as having acted as the basis for our value for money conclusion. The Audit Commission has therefore issued new Key Lines of Enquiry (KLoEs) for auditors to assess Local Authorities' arrangements against.

We have assessed the Authority's arrangements against a series of Key Lines of Enquiry (KLoEs) grouped into three themes which form the Use of Resources framework. The assessment has changed to focus on the Authority's achievements, outputs and outcomes rather than the Authority's processes. Auditors are therefore considering the Authority's strategies rather than the detailed processes that the Authority has put in place.

The tables in Section 2 set out the results of the assessment and highlight the areas for improvement based on the criteria devised by the Audit Commission. Each judgement area consists of a number of key lines of enquiry and areas of audit focus and evidence.



KLoEs are scored as follows:

- 1 – Failure to meet minimum requirements – inadequate performance;
- 2 – Meets only minimum requirements – performs adequately;
- 3 – Exceeds minimum requirements – performs well; or
- 4 – Significantly exceeds minimum requirements – performs excellently

Preliminary results were discussed with senior management. The results were subsequently subject to internal PwC review processes and a national process of quality assurance coordinated by the Audit Commission.

The Audit Commission are in the process of completing the “Managing Performance” element of the Organisational Assessment, and will report their findings to the Council by 19 October 2009.

Assessment results

Managing Finances

3

Overview

Financial planning at the Council is timely and efficient. The Council uses a structured medium term approach to deliver savings and efficiencies, enabling it to shift resources to high priority areas. Business and financial planning is integrated effectively. Financial planning has improved in Children's Services, an outcome of which was a move from a £3m overspend in 2007/08 to a balanced budget in 2008/09. A zero based budgeting exercise, which challenged budget managers to improve efficiency, contributed to this improvement.

The Business Transformation programme has enabled the Council to manage its spending within available resources. It is also integral to the business planning process, which identifies areas where the Business Transformation team can work with services to improve efficiency. Over the last two years, the Business Transformation programme has delivered the outcome of over £10m of savings for PCC, and the Council is on track to exceed the 2008/9 target of £3.68m.

The "Manor Drive" project launched in October 2008, considered whole life costs and the first phase, completed in March 2009, delivered £900k in cashable savings through streamlined Council back office structures.

Service improvements are addressed with partners as well, through the introduction of an innovative "Solution Centre". Where performance is poor for priority areas, targeted actions are agreed to improve performance, for example addressing high numbers of teenage pregnancies. By understanding costs and performance for both Council and partner activities, potential resource gaps and duplication can be identified so that resources can be aligned across organisational boundaries.

Significant improvements in financial management enabled the Council to act quickly in response to the credit crunch. The impact of the economic downturn was highlighted early in the year and action was taken to address it.

A detailed closedown plan is managed by Strategic Finance, with proactive discussions on accounting issues with external audit, clear planning for the impact of International Financial Reporting Standards and an established track record of preparing excellent draft accounts.

The Council's excellent financial reporting arrangements were recently recognised in a case study in the Audit Commission publication "Summing Up". The Council was also shortlisted for Finance Team of the Year in the Local Government Chronicle awards.

Key Lines of Enquiry

- | | |
|---|----------|
| ▪ Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health? | 3 |
| ▪ Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities? | 3 |
| ▪ Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people? | 3 |

Observations and areas for improvement

- Further engagement with local communities is required with regard to determining strategic priorities and financial planning. We understand that Neighbourhood Panels will be in place from October 2009; it will be important that the Council demonstrates the outcomes of this initiative.
- Demonstrating how the Council has managed its finances during the recession will be a crucial element of the assessment against this KLOE in 2010.
- In relation to the Business Transformation Programme, resources are required to establish how data can be captured centrally (e.g. to capture productivity and efficiency information) to enable non-cashable benefits to be effectively monitored.
- During a period of organisational change (for example the Manor Drive programme and the managed IT service), the Council will need to ensure that the quality of its internal and external financial reporting arrangements is not compromised.

Overview

The Sustainable Community Strategy and the Local Area Agreement drive the commissioning of services by identifying those things the community considers most important for the Council to address. This is exemplified by the Children and Young People's Plan, which was underpinned by extensive consultation with children and young people, and the Children's Trust.

Business process re-engineering techniques were used to improve assessment processes for vulnerable children, an approach that has led to improved performance and reduced costs.

The Council's Strategic Procurement Unit has led to a number of improvements in procurement arrangements, for example, implementing a number of corporate contracts, designed to free up time, reduce administration processes and focus on front line service activity.

A data quality strategy and policy has been created and communicated through a development group and departmental performance contacts. The data quality policy and the Council's overall approach is monitored by the Strategic Improvement Division with a Strategic Director responsible for data quality issues. These also underpin the Council's approach to performance information across the Greater Peterborough Partnership, where information from partners is brought together in a Performance Hub. This brings together performance specialists and analytical capacity across partners to provide collective analysis of performance data and wider delivery intelligence. Processes are in place and are embedded. Whilst there is an emphasis on highlighting areas of risk and 'management by exception', further work is to be undertaken to reinforce arrangements over the coming year.

The Chief Executive completed a senior management review during the year to ensure that the senior management team has the appropriate structure and post holders to drive and deliver the priorities in the Sustainable Community Strategy. A Performance Management Forum and Senior Management Training Programme are also focused on the Sustainable Community Strategy and the Local Area Agreement. This enables the Council to use its position on the Greater Peterborough Partnership to promote good governance.

Officer training has been undertaken regarding decision making, ensuring less "call in" of decisions. A "Member Induction Toolkit" (that covers, for example, Freedom of Information and Data Protection) emphasises the accessibility of the Monitoring Officer. The Council also utilises the "Modern Councillor" training package.

The establishment of the Children's Trust in April 2008, with formal arrangements and principles of operation, is a prime example of a review of effectiveness of how the Council was working across the Greater Peterborough Partnership led to improvements in governance arrangements. Outcomes have been achieved in Social Care, Educational Attainment, Attendance, the performance of the Youth Offending Service and the drive to reduce those not in education, employment or training.

The Risk Management Strategy provides a clear framework for managing strategic and operational risks. These are discussed and addressed at the Corporate Management Team, Departmental Management Teams and by Members as appropriate. The Council has explicitly used its Assurance Framework to inform the Corporate Risk Register refresh in 2008/09. Internal Audit has an Audit Plan that is aligned to the risk register and reports to the Audit Committee quarterly on its work.

Counter fraud work for local elections has been excellent. The Council worked in partnership with the Police with the aim of restoring the confidence of the public in local elections and reducing fraud. Engaging with communities as part of the process also helped identify health and safety issues prevalent in private sector housing in the city. The partnership involved a co-ordinated effort from the start to ensure the prevention of fraud.

Business continuity arrangements have improved considerably in the last 18 months and are focused on ensuring services continue to deliver. This was highlighted in the inclement weather earlier in 2009, where a number of services needed to implement their planned business continuity arrangements. Despite significantly reduced staff levels, the customer contact centre was kept open for normal working hours, recognising it would be (and was) a focal point for public queries about the impact of the weather on other services.

Key Lines of Enquiry

- Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money? 3
- Does the organisation produce relevant and reliable data and information to support decision making and manage performance? 2
- Does the organisation promote and demonstrate the principles and values of good governance? 3
- Does the organisation manage its risks and maintain a sound system of internal control? 3

Observations and areas for improvement

- Procurement savings need to continue to be achieved across the Council.
- The Council must ensure that it retains complete audit trails to support National Indicators.
- The Strategic Improvement Division should ensure that it undertakes a pro-active review programme of key data and performance information and takes appropriate action to identify and address weaknesses. Training for Members and Officers should continue to be provided where it is identified that there is a need to do so.
- Demonstrating appropriate governance arrangements in respect of the growth agenda and organisational change will be a crucial element of the assessment against this KLOE in 2010 and 2011.

Overview

The Council has a Climate Change strategy and intends to refresh this with input from across the Greater Peterborough Partnership. The Council also has the ambition to become the Country’s Environment Capital. This is embedded in the Sustainable Community Strategy; there is a separate “Environment Capital Manifesto”.

The Council is taking steps to reduce its carbon footprint. It has entered a carbon trading scheme, with an aim to reduce carbon emissions from buildings and vehicle fleet by 5%. However, the Council is not currently able to demonstrate a track record of reducing carbon emissions and resource usage.

The Council commissioned a Green Fleet Review in 2008/09 that delivered practical actions that are intended to help it reduce its transport emissions and lower running costs whilst maintaining the operational requirements of the fleet. It also provided baseline data for fleet carbon emissions. Other data is available for natural resource usage at Council buildings.

The Council has a strategic approach to asset management and a 10 year corporate property strategy that shapes its property portfolio against future needs in the Sustainable Community Strategy. The corporate asset management plan determines how property assets will be managed, including a backlog maintenance programme.

The Council can demonstrate it is improving the condition of its asset base and is actively working with partners to facilitate this. Working with the Homes and Communities Agency (“HCA”), the Corn Exchange, a strategic site, was purchased with grant funding, to demolish it as part of the plan to redevelop the city centre. The Carbon Challenge Project is intended to provide 350 Carbon Neutral homes, including 105 affordable units, on the River Nene.

“Bayard Place” has been re-designed to act as the main customer contact centre in the centre of the city, with back office services migrating to the outskirts at Manor Drive. A review of planning services indicted that there were a number of issues that needed to be addressed to improve the level of service to the customer. Bridge House, where the majority of planning services were previously delivered, was old, in need of refurbishment and remote from the Strategic Planning function and Opportunity Peterborough. Alternative suitable accommodation was sought and found in Stuart House, an office block that offered a modern working environment. This “one stop shop” for the Growth agenda will allow the Council to market itself to the investor community.

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?

2

3

44

Observations and areas for improvement

- The Council needs to achieve clear reductions in its main resource use areas when measured using the same basis for calculation year-on-year (i.e., a real trend of reduced resource usage).
- The Council needs to work with partners to help reduce the Council's impact on the environment. Reductions in resource usage need to be quantifiable.
- Demonstrating how it manages its capital programme to ensure strategic priorities are achieved, in the context of an economic downturn, will be an important element of the assessment against this KLOE in 2010.

In the event that, pursuant to a request which Peterborough City 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. Peterborough City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Peterborough City Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Peterborough City 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.