

# Annual Audit Letter

Peterborough City Council

Audit 2008/09

January 2010

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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Key messages

**This report summarises the findings from the 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work undertaken to assess your arrangements to secure value for money in your use of resources.**

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## Audit Opinion

- 1 PricewaterhouseCoopers LLP ('PwC') has been appointed by the Audit Commission to carry out the audit of Peterborough City Council ('the Council'). PwC completed the audit of the Authority's accounts in line with the Code of Audit Practice and Auditing Standards. PwC issued an unqualified audit opinion on the financial statements on 29 September 2009.
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## Financial Statements

- 2 PwC was pleased with the quality of the draft accounts and the working papers provided to support them. This ensured that the audit process itself was efficient (paragraph 15).
  - 3 The Council recorded an under spend of £141k, which was transferred to reserves, against its net revised revenue budget for the year (net of Dedicated Schools Grant passed to schools) of £154.6m. As reported in the Statement of Accounts, the overall position was underpinned by net under spends in Strategic Resources of £2.0m, over spends of £0.7m in City Services and Environment and Community Services, and other over spends totalling £1.2m (paragraph 24).
  - 4 As in the prior year, the Council has continued its policy of operating with a General Fund balance of £6.0m, representing 3.9 per cent of the net 2008/09 budget (paragraph 26).
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## Value for money and Use of resources

- 5 From April 2009, the Audit Commission has been implementing the comprehensive area assessment (CAA), jointly with the other public service inspectorates. The audit year 2008/09 is a year of transition to CAA. The use of resources judgements in 2008/09 were input into the first results of CAA which the Audit Commission reported on in October 2009, as well as acting as the basis for PwC's value for money conclusion. PwC issued an unqualified value for money conclusion on 29 September 2009.
  - 6 PwC assessed the Council as performing well against the Use of Resources themes of 'Managing Finances' (paragraphs 45 to 48) and 'Governing the Business' (paragraphs 49 to 52), and as performing adequately against the theme of 'Managing Resources' (paragraphs 53 to 56).
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- 7 The Council has been assessed by the Audit Commission as performing adequately against the 'Managing Performance' element of the Comprehensive Area Assessment (paragraphs 59 to 65).
- 8 The overall Organisational Assessment for the Council is that it is performing adequately. The Council tackles issues that matter most to local people. In many areas performance is good. But services need to improve in some important areas (paragraphs 59 to 65).
- 9 The Council has many significant challenges in future years, including (paragraph 30):
- the impact of the global economic downturn on future grant settlement from Central Government is likely to require the Council to identify further efficiencies in the way services are delivered;
  - the Council's role on the Peterborough Delivery Partnership, and the funding mechanisms that are put in place for significant infrastructure projects, will be crucial in ensuring that the city's ambitious growth agenda is achieved;
  - improving performance in key areas; and
  - the adoption from 2010/11 of International Financial Reporting Standards (IFRS) in local government, with comparative data required for 2009/10.

**Table 1      Audit fees**

	<b>Actual</b>	<b>Proposed</b>	<b>Variance</b>
Financial statements and annual governance statement	178,000	175,000	3,000
Value for money	98,500	110,000	(11,500)
<b>Total audit fees</b>	276,500	285,000	(8,500)
Non-audit work	0	0	0
<b>Total</b>	276,500	285,000	(8,500)

### Actions

- 10 Recommendations are shown within the body of this report and have been agreed with the audited body.

### Independence

- 11 PwC confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

## Key messages

<b>Recommendations</b>	
<b>R1</b>	The Council should introduce procedures to ensure that user access rights to the ORACLE financials applications are reviewed at least annually (paragraph 17).
<b>R2</b>	The Council should address the issues for improvement noted in its Annual Governance Statement (paragraph 34).
<b>R3</b>	The Council should review the reason for qualifications in its grant claims, and take steps to ensure relevant matters are addressed in future years (paragraph 36).
<b>R4</b>	Further engagement with local communities is required with regard to determining strategic priorities and financial planning (paragraph 48).
<b>R5</b>	The Strategic Improvement Division should ensure that key data and performance information is reviewed and that action is taken to address weaknesses (paragraph 52).
<b>R6</b>	The Council needs to achieve clear reductions in its main resource use areas when measured using the same basis for calculation year-on-year (paragraph 56).

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# Financial statements and annual governance statement

**Peterborough City Council's financial statements and annual governance statement are an important means by which Peterborough City Council accounts for its stewardship of public funds.**

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## Significant issues arising from the audit

- 12** As your appointed auditor, PwC issued an unqualified opinion on the Council's accounts on 29 September 2008.

Formal communication of relevant audit matters to those charged with governance (ISA 260 Report).

- 13** PwC are required to comply with the International Standard on Auditing (ISA) 260 – 'Communication of audit matters to those charged with governance'. This requires PwC to communicate the following matters to those charged with governance who, in the case of the Council, are deemed to be the Audit and Accounts Committee:

- expected modifications to the auditors' report;
- unadjusted misstatements;
- material weaknesses in the accounting and internal control systems identified during the audit;
- views about the qualitative aspects of the entity's accounting practices and financial reporting;
- matters specifically required by other auditing standards to be communicated to those charged with governance; and
- any other relevant matters relating to the audit.

- 14** PwC presented the ISA 260 report to Members of the Audit and Accounts Committee on 28 September 2009. PwC reported that the accounts contained no unadjusted misstatements. The report highlighted certain matters relating to accounting and control which are discussed in paragraphs 16 to 17 below.

- 15** The working papers provided by the Strategic Finance team were exemplary for the third successive year, ready on the first day of the audit and prepared on a CD with clear links to the Statement of Accounts. No material adjustments were made to the accounts.

## Financial statements and annual governance statement

- 16** The ISA 260 report noted one significant matter relating to the Statement of Accounts.
- In October 2008 the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed. Their UK subsidiaries, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £1m invested in the Heritable Bank and £2m in Kaupthing Singer & Friedlander Ltd. The Council correctly applied CIPFA's Local Authority Accounting Panel ('LAAP') Bulletin 82 to account for an impairment of its investments of £1.5m based on the currently expected realisation value of these investments.
- 17** PwC also included detailed recommendations in the 'Report to Management 2008/09' which was issued to management in October 2009 and which focused on issues that arose during the interim and final audit of the accounts. The most significant recommendation was that:
- the Council should introduce procedures to ensure that user access rights to the ORACLE financials applications are reviewed at least annually.
- 18** The Council has agreed to take action in respect of the recommendations in the Report to Management; a detailed action plan has been prepared and is included within the report. PwC will consider progress in implementing these actions as part of the 2009/10 audit.
- 19** In the ISA 260 report PwC confirmed continuing independence of the Council within the requirements of ethical and auditing standards.

### Liaison with the Council during the year

- 20** During the course of the year PwC have held regular meetings with the Chief Executive, Deputy Chief Executive, Executive Director of Strategic Resources, Monitoring Officer and the Head of Strategic Finance to discuss emerging issues and priorities facing the Council, together with matters arising from audit work. These meetings have been valuable in ensuring a shared understanding of key issues and priorities for the Council and have allowed for discussion of the significant matters arising from audit work.
- 21** PwC have also held quarterly meetings with the Council's internal audit service. These meetings have formed the basis of joint planning and cooperation designed to ensure that duplication is avoided and that PwC work effectively with the Council. There are a number of examples where PwC has been able to place reliance on the work of internal audit and also where PwC and internal audit have worked effectively together.

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### Material weaknesses in internal control

- 22** Based on the work PwC have undertaken, there are no significant weaknesses in your internal control arrangements that PwC wish to draw to your attention.

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### Financial Standing

**23** This section comments upon the Council's general financial standing taking into account both its performance during the last year and its ability to meet known financial obligations.

#### Overall financial performance in 2008/09

**24** As set out in the Explanatory Foreword to the 2008/09 Accounts, the Council's revised net revenue budget for the year was £154.6m (net of Dedicated Schools Grant passed to schools), against which actual spending totalled £154.5m. The Statement of Accounts highlighted that the overall position was underpinned by net under spends in Strategic Resources of £2.0m, over spends of £0.7m in City Services and Environment and Community Services and other over spends of £1.2m.

**25** The key factors causing the under spend in Strategic Resources were £1.2m of additional VAT shelter income from Cross Keys Homes, a reduced Minimum Revenue Provision of £0.4m and reduction of interest paid of £0.4m.

**26** At 31 March 2009, total reserves available for use (earmarked reserves and General Fund balances) stood at £22.9m. Of this, £11.4m was earmarked for specific purposes, with a further £5.6m under the control of locally managed schools and £4.5m held to cover insurance risks. General Fund balances of £6.0m represented 3.9 per cent of the net 2008/09 budget.

#### 27 Outlook for 2009/10 and beyond

**28** The Council approved the budget for 2009/10 on 25 February 2009, as part of the Medium Term Financial Plan. The budget requirement for 2009/10 was £133.6m (being £247.9m less Dedicated Schools Grant of £114.3m), a 4.0 per cent increase compared to the 2008/09 base budget. Funding for the capital programme for the year totalled £78.9m.

**29** The latest financial position for 2009/10, as reported to Cabinet in October 2009, highlighted that overall the budget position is showing a forecast year-end under spend of £45,000.

**30** There are a number of significant challenges facing Peterborough in future years. For example:

- the impact of the global economic downturn on future grant settlement from Central Government is likely to require the Council to identify further efficiencies in the way services are delivered;
- the Council's role on the Peterborough Delivery Partnership, and the funding mechanisms that are put in place for significant infrastructure projects, will be crucial in ensuring that the city's ambitious growth agenda is achieved;
- improving performance in key areas (see paragraphs 59 to 65); and
- the adoption from 2010/11 of International Financial Reporting Standards (IFRS) in local government, with comparative data required for 2009/10.



## Financial statements and annual governance statement

- 31** The successful completion of these major initiatives and programmes of work will require effective operational and financial management, including the identification and management of risks relating to the schemes.

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### Accounting Practice and financial reporting

- 32** In 2010/11 the Council will need to prepare its financial statements in accordance with International Financial Reporting Standards (IFRS). The Council is already considering how this will affect the financial statements; it reports regularly to the Audit Committee and PwC undertook an impact assessment as part of the 2008/09 audit plan.

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### Annual Governance Statement

- 33** Local Authorities are required to produce an Annual Governance Statement (AGS) which is consistent with guidance issued by CIPFA / SOLACE. The AGS was included in the financial statements. PwC reviewed the AGS to consider whether it complied with the CIPFA / SOLACE guidance and whether it is misleading or inconsistent with other information known to PwC from audit work undertaken. PwC found no areas of concern to report in this context.
- 34** The AGS sets out key elements of the systems and processes that comprise the Council's governance framework, and the arrangements for reviewing its effectiveness. From this review, the Council concluded that the framework provided satisfactory assurance on the effectiveness of its governance arrangements, but identified a number of areas for ongoing improvement, which the Council should continue to address, for example:
- the impact of credit crunch on Council income, the local community and the capital disposal programme;
  - the impact of the collapse of Icelandic Banks;
  - effective governance;
  - Single Status agreement;
  - external and internal audit recommendations;
  - sickness absence;
  - effective recruitment checks;
  - shared services; and
  - risk management.

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### Certification of grant claims

- 35** PwC worked with the Council to certify the relevant claims and returns required by grant paying bodies for 2008/09.

- 36** To date PwC has audited eight grant claims. Four have been qualified (two East of England Development Agency grants, the Housing and Council Tax Benefits grant and the Teachers' Pensions Return). The Council should review the reason for qualifications in these claims, and take steps to ensure relevant matters are addressed in future years. PwC continue to work with the Council to audit a number of outstanding European Regional Development Fund grant claims.

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### Whole of Government accounts

- 37** Central government embarked on a programme leading to the preparation of consolidated accounts for the 'whole of government', including local government. The Council is required to submit a 'consolidation pack' to Communities and Local Government and PwC is required, as your auditor, to undertake a range of procedures and report on the pack.
- 38** PwC issued an unqualified opinion on the return stating that 'the consolidation pack is consistent with the statement of accounts for the year ended 31 March 2009 on which we have entered our opinion in accordance with section 9 of the Audit Commission Act 1998'.

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### Other work

- 39** In addition to PwC's audit under the Code, PwC has also undertaken other work for the Council during 2008/09.
- 40** PwC undertook an assessment of the impact of IFRS on the Council at the request of the Executive Director of Strategic Resources. In July 2009, PwC also completed a follow-up report of their Benefits Realisation Review, which was initially reported in July 2007. There are no matters PwC wish to draw to your attention in relation to this work.
- 41** No other work in addition to PwC's responsibilities under the Code has been undertaken during the 2008/09 financial year.

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# Value for money and use of resources

PwC considered how well Peterborough City Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

PwC also assessed whether Peterborough City Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

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## Use of resources judgements

- 42** In forming the scored use of resources judgements, PwC used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 43** PwC also took into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 44** The Council's use of resources theme scores are shown in Table 2 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in paragraphs 45 to 56 and presented in detail in Appendix 1.

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**Table 2** Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	3
Managing resources	2
Use of Resources score	3
Managing performance	2

### Managing finances

- 45 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.
- 46 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 over spend 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.
- 47 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.
- 48 Further engagement with local communities is required with regard to determining strategic priorities and financial planning. Neighbourhood Councils have been in place from October 2009; it will be important that the Council demonstrates the outcomes of this initiative.

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### Governing the business

- 49 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.
- 50 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.
- 51 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.
- 52 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.

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### Managing resources

- 53 The Council 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'.
- 54 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 per cent. However, the Council is not currently able to demonstrate a track record of reducing carbon emissions and resource usage.

## Value for money and use of resources

- 55 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 Council can demonstrate it is improving the condition of its asset base and is actively working with partners to facilitate this.
- 56 The Council needs to achieve clear reductions in its main resource use areas when measured using the same basis for calculation year-on-year.

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### VFM Conclusion

- 57 PwC assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. Conclusions on each of the areas are set out in Appendix 1.
- 58 PwC issued an unqualified conclusion stating that Peterborough City Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

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### Managing Performance

- 59 Peterborough faces many challenges to improve life for local people. Crime levels are high, the recession has hit delivery of growth in the city and some residents suffer poor health. While some recent improvements have been made some important services are not performing well enough.
- 60 In 2008 educational achievement was low; but improvements are being made. More children are passing examinations. But when compared to similar areas performance is below average. Most services for adults who need care meet their needs. People who need help now have more choice about the services they receive. This increases their independence. The Council has taken action to address concerns about the safeguarding of adults. A plan is in place with work underway to improve the safety and personal dignity and respect of vulnerable people.
- 61 But the Council performs well in other services. It takes a lead role in protecting the environment. Many more journeys are now made by bus and people are much more satisfied with services. Alternatives to car use are promoted well and CO2 emissions are reducing. Levels of recycling and composting are high and cleanliness is improving. The number of homes built that local people can afford is increasing.
- 62 Leadership in the Council is strong. Good plans are in place to improve services. Staff have the skills they need to do their jobs. New approaches are used to tackle poor performance. And investment is being made in new facilities.
- 63 The Council has clear financial plans to cope with the impact of the recession. Ofsted has rated the Council's children's services as performing adequately. Schools help children and young people develop healthy lifestyles. But children achieve low levels of educational achievement at all ages.

- 64** A recent unannounced visit to the Council looking at child protection highlighted much satisfactory and good practice. But as a result of long standing recruitment and retention issues the caseload of social workers is high.
- 65** The Care Quality Commission rated the Council's adult social care as performing adequately. The Council delivers adult social care with the primary care trust. This partnership knows what it needs to do and is committed to improve services for people who need care. People who use services and their carers are helped to choose how their care needs are met, increasing their independence. An inspection carried out in January 2009 judged safeguarding of adults as poor. But issues raised had already been identified by the partnership and action started to address these

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# Closing remarks

- 66** PwC has discussed and agreed this letter with the Chief Executive and the Executive Director of Strategic Resources. PwC will present this letter at the [Audit Committee] on [date] 2010 and will provide copies to all [board members/committee members].
- 67** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to Peterborough City Council during the year.

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**Table 3**

<b>Report</b>	<b>Date issued</b>
Audit Plan	June 2008
IFRS impact assessment report	August 2009
Report to those charged with governance	September 2009
Opinion on financial statements	September 2009
Value for money conclusion	September 2009
Report on Use of Resources scores	October 2009
Report to management on the 2007/08 Statement of Accounts audit	October 2009
Annual audit letter	December 2009

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- 68** Peterborough City Council has taken a positive and constructive approach to our audit. I wish to thank Peterborough City Council staff for their support and co-operation during the audit.

Nigel Smith  
CAAL  
January 2010

# Appendix 1 – Use of resources key findings and conclusions

The following tables summarise the key findings and conclusions for each of the three use of resources themes.

## Managing finances

<b>Theme score</b>	<b>3</b>
<b>KLOE 1.1 (financial planning)</b>	
<b>Score</b>	<b>3</b>
<b>VFM criterion met</b>	<b>Yes</b>
<p>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.</p> <p>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.</p> <p>Demonstrating how the Council has managed its finances during the recession will be a crucial element of the assessment against this KLOE in 2010.</p> <p>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.</p>	



## Appendix 1 – Use of resources key findings and conclusions

<p><b>KLOE 1.2 (understanding costs and achieving efficiencies)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>3</b></p> <p><b>Yes</b></p>
<p>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.</p> <p>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.</p> <p>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.</p> <p>In relation to the Business Transformation Programme, resources are required to establish how data can be captured centrally (eg to capture productivity and efficiency information) to enable non-cashable benefits to be effectively monitored</p>	
<p><b>KLOE 1.3 (financial reporting)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>3</b></p> <p><b>Yes</b></p>
<p>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.</p> <p>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.</p> <p>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.</p>	

**Governing the business**

<b>Theme score</b>	<b>3</b>
<b>KLOE 2.1 (commissioning and procurement)</b>	
<b>Score</b>	<b>3</b>
<b>VFM criterion met</b>	<b>Yes</b>
<p>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.</p> <p>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.</p> <p>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.</p> <p>Procurement savings need to continue to be achieved across the Council.</p>	

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## Appendix 1 – Use of resources key findings and conclusions

<p><b>KLOE 2.2 (data quality and use of information)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>2</b></p> <p><b>Yes</b></p>
<p>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.</p> <p>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.</p> <p>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.</p> <p>The Council must ensure that it retains complete audit trails to support National Indicators.</p> <p>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.</p>	

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<p><b>KLOE 2.3 (good governance)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>3</b></p> <p><b>Yes</b></p>
<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	

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## Appendix 1 – Use of resources key findings and conclusions

<b>KLOE 2.4 (risk management and internal control)</b>	
<b>Score</b>	<b>3</b>
<b>VFM criterion met</b>	<b>Yes</b>
<p>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.</p> <p>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.</p>	

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**Managing resources**

<b>Theme score</b>	<b>2</b>
<b>KLOE 3.1 (use of natural resources)</b>	
<b>Score</b>	<b>2</b>
<b>VFM criterion met</b>	<b>Yes</b>
<p>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’.</p> <p>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.</p> <p>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.</p> <p>The Council needs to achieve clear reductions in its main resource use areas when measured using the same basis for calculation year-on-year.</p> <p>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.</p>	

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## Appendix 1 – Use of resources key findings and conclusions

<p><b>KLOE 3.2 (strategic asset management)</b></p> <p><b>Score</b></p> <p><b>VFM criterion met</b></p>	<p><b>3</b></p> <p><b>Yes</b></p>
<p>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.</p> <p>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.</p> <p>'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 indicated 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.</p> <p>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.</p>	

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# The Audit Commission

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