

Use of Resources 2009 - Auditor Feedback

South Kesteven District Council

Audit 2009/10

Date **October 2009**

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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:

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Summary

This report summarises our key findings from our assessment of how South Kesteven District Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people.

- 1 This report sets out my conclusions on how well South Kesteven District Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people.

Overall Findings

- 2 The overall score is a Level 2 - Meets only minimum requirements – performs adequately.

Managing Finances

- 3 The Council performs well in relation to planning its finances effectively to deliver its strategic priorities along with timely financial reporting which is reliable and meets the needs of users. The Council needs to focus on gaining a sound understanding of its costs and performance to achieve efficiencies.

Governing the Business

- 4 Current arrangement perform adequately with the Council needing to develop arrangements for commissioning and procuring quality services, generating reliable data to inform decision making, promote principles and values for good governance and enhancing the systems of internal control.

Managing Resources

- 5 The Council is performing adequately to developing organisational plans, and organising and developing its workforce to support the achievement of its strategic priorities

Introduction

- 6 This report sets out my conclusions on how well South Kesteven District Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people.
- 7 In forming my scored theme judgements, I have followed the methodology set out in the Audit Commission's [use of resources framework: overall approach and key lines of enquiry \(KLOE\) document](#) and the use of resources [auditor guidance](#).

Use of resources framework

- 8 From 2008/09, the new use of resources assessment forms part of the [Comprehensive Area Assessment \(CAA\)](#) and comprises three themes that focus on:
- sound and strategic financial management;
 - strategic commissioning and good governance; and
 - the management of natural resources, assets and people.
- 9 The scores for each theme are based on the scores reached on the underlying KLOE. The KLOE are generic and applicable equally to all organisations subject to use of resources judgements under CAA. This promotes consistency, demonstrating all organisations within a CAA area are treated to the same standards.
- 10 The Commission specifies in its [annual work programme and fees document](#), which KLOE are assessed over the coming year. Judgements have been made for each KLOE using the Commission's current four point scale from 1 to 4 (Table 1).

Table 1 **Levels of performance**

Level 1	Does not meet minimum requirements – performs poorly
Level 2	Meets only minimum requirements – performs adequately
Level 3	Exceeds minimum requirements – performs well
Level 4	Significantly exceeds minimum requirements – performs excellently

Source: [use of resources framework: overall approach and KLOE document](#)

Use of resources judgements

Scored judgements

- 11** The Council's use of resources theme and supporting sub-theme scores are shown in Table 2. These scores have been confirmed by the Commission's national quality control process. The Commission will notify you of the Council's overall score in October 2009. These scores equate to an overall score of 2.

Table 2 Use of resources theme scores

Use of resources KLOE theme and sub-theme	Score
Managing finances - How effectively does the organisation manage its finances to deliver value for money?	Level 3
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?	2
Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	3
Governing the business - How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people?	Level 2
Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	2
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?	2
Does the organisation manage its risks and maintain a sound system of internal control?	2

Use of resources KLOE theme and sub-theme	Score
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?	Level 2
Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?	2

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- 12** The remainder of this summary report sets out our conclusions in relation to each of the KLOE sub-theme.

Managing finances

KLOE 1.1 Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?

KLOE 1.1 score = 3

Findings and Conclusions

Integrated Financial Planning – An effective budget is completed and approved within timescales with clear linkages to service and corporate planning. The Council has a stable financial position in which service planning can be undertaken and delivered. The Council has effective arrangements to monitor the financial position and respond to changing priorities and finances and has demonstrated this with the recent economic downturn. Charges for services and the capital programme are linked to priorities and improvement areas. A review of financial plans has resulted in funds being redirected through investment and disinvestment within service budgets including housing, health awareness, leisure and play facilities.

Financial Planning – The MTFP reflects strategic objectives and contains modelling of key balances along with the consideration of sensitivity analysis and scenario planning. The MTFP models balances in relation to income and expenditure and considers how partnerships and shared services can be used to deliver such priorities. The MTFP is owned by key officers and members but this ownership could be improved across the whole council. The use of benchmarking is undertaken in specific service areas but could be developed consistently across the whole council. Modelling has been used to maintain the long term stability of the HRA and minimum balance and funding requirements

Engaged with Stakeholders – A variety of stakeholders are engaged in the financial planning process with input through forums and consultation exercises. The Council has consulted and engaged with the local communities in setting priorities and on spending decisions. The Council has held consultations within the communities and varied these to enable a variety of opinions to be considered. The council continues to identify ways in which this can be developed and enhanced. The consultation has resulted in the consideration of the council tax levels and choices for the communities within budget needs.

Managing Spending – The council has a good track record of operating within budget whilst maintaining the service levels. Monthly budget monitoring reviews areas of concerns and takes corrective action against significant variances to ensure spending remains on track. The council has targets for collection of income and

KLOE 1.1 score = 3

debt and takes action to address variances. The council has specifically reviewed income and expenditure in light of the current economic conditions. Forecasting has been used to identify overspends in year within the HRA and enable management choice and change to ensure corrective actions minimising the impact on balances.

Financial Governance – The Council has a good understanding of financial matters and roles within the financial environment. The members and officers have financial skills and this is promoted with training at each grade. The Council has an effective risk averse Treasury Management Strategy. The leadership provides routine challenge to financial assumptions and performance to generate an open culture. Service Managers and Senior Officers provide routine challenge to financial plans and performance. Senior Management promote best practice in financial matters within all staff. The audit committee considers audit reports and areas of concern reported to cabinet. The council uses Pit Stop reviews to challenge service managers on budget and spending with senior officer and member involvement which has resulted in changes to priorities, budget and spending.

KLOE 1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?

KLOE 1.2 score = 2

Findings and Conclusions

The Council has a good understanding of costs over time in most areas. Comparing transaction and unit costs with others gives them a good understanding of the factors influencing them. This needs to be extended across the whole Council. Whole life costing has been in place for a number of years and the Council has taken the environmental impact into account when decision making, for example, it accepted a tender for recycling based on the carbon footprint of vehicles rather than just lowest cost. Costs and performance information is used in the planning process as evidenced through the annual prioritisation banding process.

The Council has very low costs in any comparison. Higher cost areas are quickly scrutinised to ensure they are understood and in line with performance and satisfaction expectations. Business process re-engineering techniques are used to achieve better outcomes with recent successes evidenced in Revenues and Benefits where earlier decisions are being made. Performance is also better than the average of the family group and other districts.

South Kesteven works in partnership with others to both reduce costs and improve outcomes for its people and has a good track record in delivering efficiency savings which has continued against the demanding NI 179 definitions.

KLOE 1.3 Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?
KLOE 1.3 score = 3
Findings and Conclusions

Financial Monitoring – Financial monitoring is routinely undertaken during the year and is relevant and understandable. There is a clear link between budget and the forecast positions to ensure effective monitoring. Reports are subject to risk and sensitivity analysis and to gauge the impact on outturns. Budgetary control arrangements ensure that effective control is maintained and corrective action taken as appropriate. Budgets are flexible to enable movement in resources against priorities and develop links with the performance and VFM outcomes. Forecasting and sensitivity analysis has been specifically used to address financial issues within car parking, land charges & planning income along HRA spending and Salary/FTE reviews to enable effective management action.

Financial Reporting – The financial information system is accessible and provides access to members, senior officers and budget holders to monitor and review financial information. The financial information system uses analytical packages to enable specialist reports to be generated. Budget holders are provided with profiled budgets routinely generated after the period end. Members receive routine understandable reports containing financial and non financial information to aid their understanding. Following Pit Stop reviews and feedback from users financial reporting has been tailored to service manager requirements along with changes in corporate presentations for members and senior officers to respond to needs.

Preparation of Accounts – The council continues to generate good draft accounts. The accounts contained non-trivial errors but no other governance issues or concerns within the AGR were identified. There is a good commitment to generating quality draft accounts which meet the closure requirements which has been demonstrated over a number of years. The closedown plan is robust and has enabled the deadlines for generation to be achieved. The council effectively monitors changes to statutory requirements and has arrangements to address IFRS. The council provides a robust challenge to the financial reports through scrutiny.

Publishing Reports – External Reporting is timely, objective and understandable and reflects the achievements and performance of the council. The reporting considers the needs of the users. The reporting provides social information along with a review of the council's environmental arrangements and carbon footprint. The reports are based on reasonable data and have been developed through consultation with stakeholders and the community. The reports are compiled using Plain English and written in a non technical way with effective use of diagrams and charts. The reports address diversity

Managing finances

KLOE 1.3 score = 3

issues and demonstrate where money is received and spent. The latest annual report has been tailored to feedback and contains information to meet a diverse range of non technical users needs following consultation.

Governing the business

KLoE 2.1 Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?

KLOE 2.1 score = 2

Findings and Conclusions

The council has an understanding of the inequalities and diversity of its local communities. Customer profiling is an important part of Service planning to ensure service can be properly focused. Needs assessments have been carried out in conjunction with partners in areas of housing, social care, health and for vulnerable groups such as the homeless, gypsies and travellers. Many other initiatives are being taken through projects promoted by the county wide partnership aimed at 'supporting people' with South Kesteven being the sponsor of a joint commissioning project. However users are not yet fully involved in each stage of the commissioning cycle.

Services are being redesigned using the LEAN methodology with improvements evident in Customer Services, Benefits and the Repairs and Improvement areas. This approach needs to be rolled out over other service areas.

The Council is part of the Lincolnshire shared procurement service which serves all councils in the county. Through this initiative a sound body of expertise has been created with a good understanding of the market place and how to work with suppliers to forge effective relationships while maximising choice and flexibility. In addition, the councils have a joint sustainability strategy which sets out the role of procurement in meeting its aims. Agreements and funding are in place with the third sector. The Council uses local suppliers where possible and has a target to pay local suppliers within one week of invoice receipt. Spending is analysed to identify areas where efficiencies can be introduced. All procurement options are considered, for example, joint audit service and management of leisure facilities.

A formal market testing exercise is carried out as required and benchmarking used to identify service and VfM improvements. They address environmental issues through a carbon management group and a member of staff is dedicated to related issues.

KLoE 2.2 Does the organisation produce relevant and reliable data and information to support decision making and manage performance?

KLOE 2.2 score = 2

Findings and Conclusions

The Council endeavours to secure good quality data that is accurate, valid, reliable, timely, relevant and complete. It monitors this through the performance management system. It also recognises that good quality data is necessary for the work of the Council in general and not just in decision making areas from our data quality testing. Data sharing protocols are in place with partners and their data flows and risks understood. Performance management, data quality and risk are brought together and staff understand the reasons for collecting data and the use to which it is put. It uses the principle of COUNT as evidenced in the arrangements to disseminate change of circumstances information across the council so that unnecessary customer contact is minimised.

With the introduction in April 2008 of a new performance management system, information used for decision making was reviewed and improved. Presentation takes account of user preferences and is summarised as required, for example, over time, geographically, portfolio etc. Effective use is made of ICT to link data from corporate systems to minimise data flows. Further developments are planned following a review of the current provision.

The corporate ICT security policy is reviewed annually and both business continuity plans and disaster recovery plans have been tested. Information risks are managed effectively. However pro-active testing of security and monitoring of incidents could be improved.

There is robust monitoring of performance against priorities through Service Plans held within the performance management system. A selection of reports showing both financial and non-financial indicators, are used by officers and members to monitor progress with under performance being investigated when required.

KLoE 2.3 Does the organisation promote and demonstrate the principles and values of good governance?

KLOE 2.3 score = 2

Findings and Conclusions

Governance – The council has a clear identification of roles and responsibilities and training is given to members and officers but the council has yet to review such learning obtained from the plans and demonstrate

KLOE 2.3 score = 2

improved outcomes. It has also yet to review roles and responsibilities of members to ensure that they are able to demonstrate improvements for the council.

Purpose – The council has a clear vision of what it wants to achieve for the community and has consulted with a wide range of them regarding this but it is yet to demonstrate how this has made an effective change for the communities involved. The Council has translated the vision into plans and linked resources to deliver such plans but is yet to see the outcomes.

Ethical – The council promote and demonstrate the principles and values of good governance. The council has the codes of conduct in place and reviews breaches but it is yet to demonstrate how standards have been improved through this work. The standards committee is in place and operates effectively but work is still needed to feedback information to the community on such work to demonstrate how this has been effective in generating improved outcomes. The Council has undertaken ethical training and has promoted this within the council and community but is yet to monitor how this has been effective in raising standards

Partnerships – The Councils key partnerships are governed by appropriate arrangements and there are constructive working relationships with the partners involved but how confident this sits with the community has yet to be reviewed and established. The council routinely reviews the performance of partnerships to ensure they are achieving the aims and objective but further work is required to ensure they are providing value for money and remain fit for purpose.

KLoE 2.4 Does the organisation manage its risks and maintain a sound system of internal control?
KLOE 2.4 score = 2**Findings and Conclusions**

Risk - The council continues to maintain policies and procedures which effectively capture and monitor risks but it is unable to demonstrate what learning outcomes have been obtained from such training. The risk register does not identify current joint risks with partners. The council can not show how partnerships have improved the risk culture of the organisation.

Fraud - The council has procedures and practices in place to address fraud but these do not extend to demonstrate how the aims and objectives of the strategy have been achieved. The council can not show how a zero tolerance approach is being maintained. Learning outcomes from the work are yet to be considered. There are limited working protocols with Police and others.

Internal Control - The council has effective internal audit committee but is yet

KLOE 2.4 score = 2

to assess how this work impacts on other committees. The council plan to consider how the audit committee can give assurance in the future. The business continuity plan does not currently consider risk from partner organisations.

Managing resources

KLoE 3.3 Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?

KLOE 3.3 score = 2

Findings and Conclusions

The Council maintains a productive and skilled workforce through a combination of targeted training and recruitment. Skills gaps are identified and a range of recruitment channels are used. In some key areas trainee placements have been recruited and given suitable training. The Council invests in communicating with staff, and their well being, through an employee assistance programme, lunchtime exercise classes and access to occupational health. Effective systems are in place for monitoring sickness levels with support being given following periods of sickness while disciplinary action is taken where necessary. Staff are active participants in service redesign, and workshops discuss the result of customer and staff surveys with participants asked to highlight where they have improved outcomes for the community.

By contrast workforce planning is less well developed. Workforce planning is integrated with Service planning but currently only looks a year ahead. This is due to the Council forward commitment to the sharing of services across the county to improve VfM. There is reliable workforce data available and agency costs are both transparent and well managed.

The organisation has changed on a few occasions over the past five years and this coupled with the approach to business transformation, has resulted in sound practices being in place to support staff through periods of change. The Council fully involves staff in the initial stages, for example, through surveys, road shows, surgeries and focus groups while then empowering them to deliver agreed changes. Training and coaching is provided to people taking up new roles with time being given for staff to adapt.

Staff attend diversity awareness programmes and are trained to ensure compliance with equalities legislation. Flexible working arrangements are in place and staff satisfaction is high. However the Council is aware that its workforce is not quite representative in ethnic terms.

Use of resources 2009/10

- 13** The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. The criteria remain largely unchanged, although the managing human resources KLOE is replaced by one which assesses whether the Council is making effective use of natural resources. The areas of focus for the KLOE are whether the organisation:
- understands and can quantify its use of natural resources and can identify the main influencing factors;
 - manages performance to reduce its impact on the environment; and
 - manages the environmental risks it faces, working effectively with partners.
- 14** We expect to undertake the assessment in January and February 2010.

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