

RUNNYMEDE BOROUGH COUNCIL

CORPORATE MANAGEMENT COMMITTEE

7 JANUARY 2010

AGENDA ITEM 6

APPENDIX 'B'

USE OF RESOURCES REPORT 2008/09



INFRASTRUCTURE
GOVERNMENT AND HEALTHCARE

Use of Resources

Runnymede
Borough Council

DRAFT: 5 October
2009

11/09

Content

The contacts at KPMG in connection with this report are:

Neil Thomas
Partner
KPMG LLP (UK)

Tel: 020 7311 1379
Fax: 020 7311 4121

Rebecca Pett
Manager
KPMG LLP (UK)

Tel: 020 7311 4031
Fax: 020 7311 4121

Steven Hanlon
Assistant Manager
KPMG LLP (UK)

Tel: 020 7311 4002
Fax: 020 7311 4121

Page

Executive summary 2

Use of resources detailed findings 3

Appendices 5

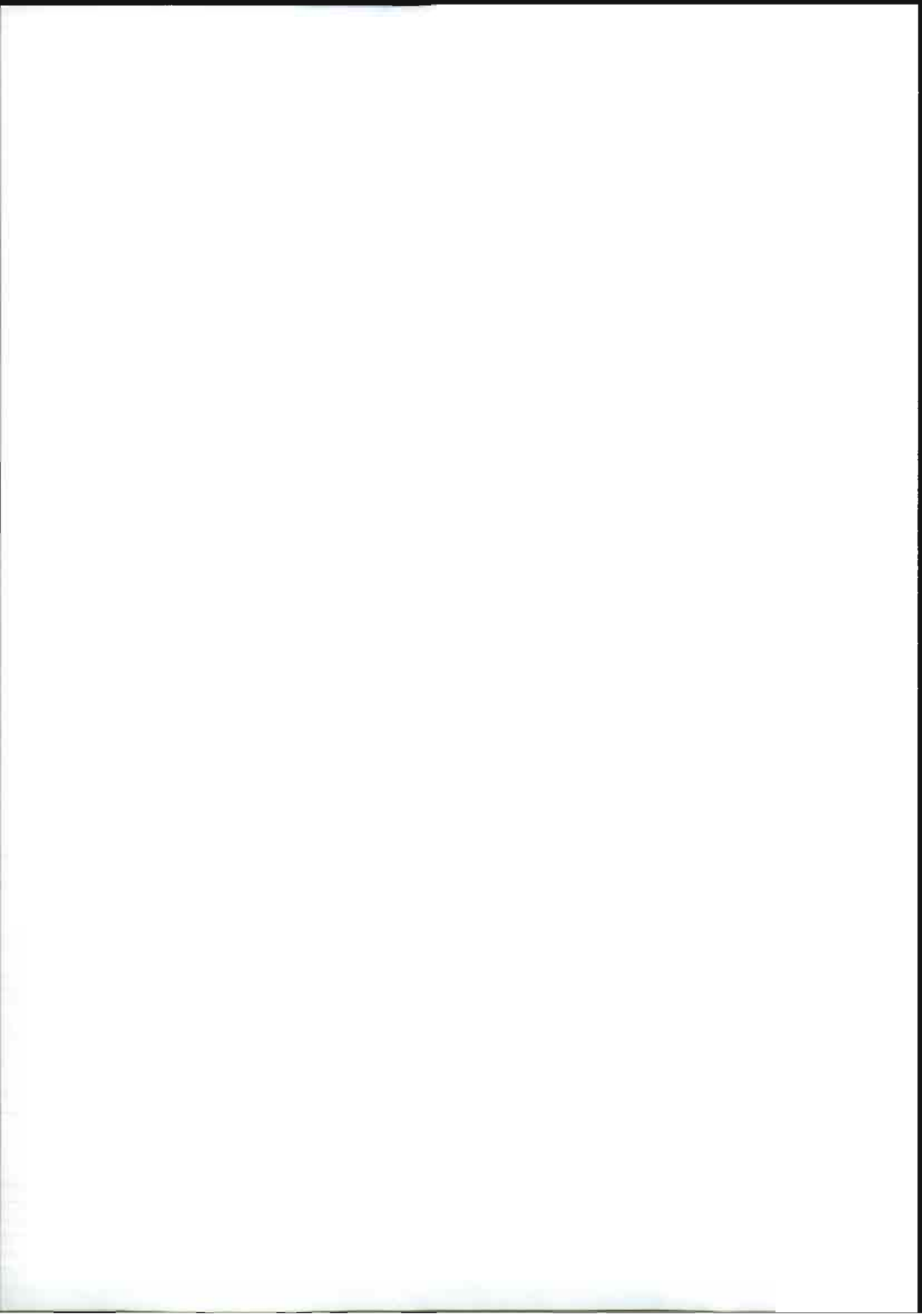
1. Use of resources conclusion
2. Use of resources key findings
3. Use of resources criteria and link to VFM conclusion
4. Recommendations

This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any members of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for auditing, in direct financial arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Thomas who led the engagement lead to the Council, telephone: 020 7311 1379, email: neil.thomas@kpmg.co.uk, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Bees on 0161 346 4063, email: trevor.bees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are dissatisfied with how your complaint has been handled, you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Team, Millennium House, Lime Kiln Close, 50 King Street, Bristol, BS34 1SU or by e-mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, fax number (miscellaneous) 020 7030 0421.





Section one

Executive summary

Scope of this report

This report sets out our findings in relation to the Use of Resources work carried out in 2008-09 the results of which were reported to the Council on 16 October 2009 by the Audit Commission.

Summary of findings

Use of Resources

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources and regularly reviewing their adequacy and effectiveness.

We are required to conclude whether the Council has adequate arrangements in place to ensure effective use of its resources. This assessment draws on the findings from the new use of resources assessment framework introduced by the Audit Commission.

The new use of resources framework assesses local authorities against three themes: managing finances, governing the business and managing resources. The Council has been assessed overall as performing well against these themes.

Based on this, we have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our findings are detailed in Section one of this report and our conclusion is set out in Appendix 1. We have raised 5 recommendations as a result of our work, set out in Appendix 4. None of these are considered high risk.

Acknowledgements

We would like to take this opportunity to thank officers and members for their continuing help and co-operation throughout our audit work.

Section one

Use of resources

We are required to conclude whether the Council has adequate arrangements to ensure effective use of its resources. This assessment draws on the new use of resources assessment framework introduced by the Audit Commission. The new framework assesses local authorities against three themes: managing finances, governing the business and managing resources and the Council has been assessed as performing well against these themes.

Based on this, we concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Introduction

In our *Annual Audit and Inspection Plan 2008/09* we outlined the work streams which we complete to assess the adequacy of your arrangements which ensure that your resources are deployed effectively. Our conclusion is based on these work streams, our cumulative audit knowledge and any specific local risk work, as detailed below.

The new use of resources assessment

The Audit Commission introduced a new assessment this year. This assesses how well organisations are delivering value for money and better and providing sustainable outcomes for local people. This new assessment forms part of the Comprehensive Area Assessment (CAA) framework. It defines use of resources in a broader way than previously, embracing the use of natural, physical and human resources. It also places a new emphasis on commissioning services for local people. This is wider than the previous assessment which focused on systems and processes. As a consequence it is not possible to make direct comparisons with the previous year's assessment.

The assessment is based on three Key Lines of Enquiry (KLOEs) themes which cover:

- **Managing finances** - focusing on sound and strategic financial management;
- **Governing the business** - focusing on strategic commissioning and good governance; and
- **Managing resources** - focusing on the effective management of natural resources, assets and people.

The scoring of the themes ranges from one (performing inadequately) to four (performing exceptionally).

Findings

We have assessed the Council as an overall score of level 3 which means the Council is performing well.

The table below shows our Use of Resources assessment across the three themes.

KLOE	Theme Score
1 – Managing finances	3
2 – Governing the business	3
3 – Managing resources	2

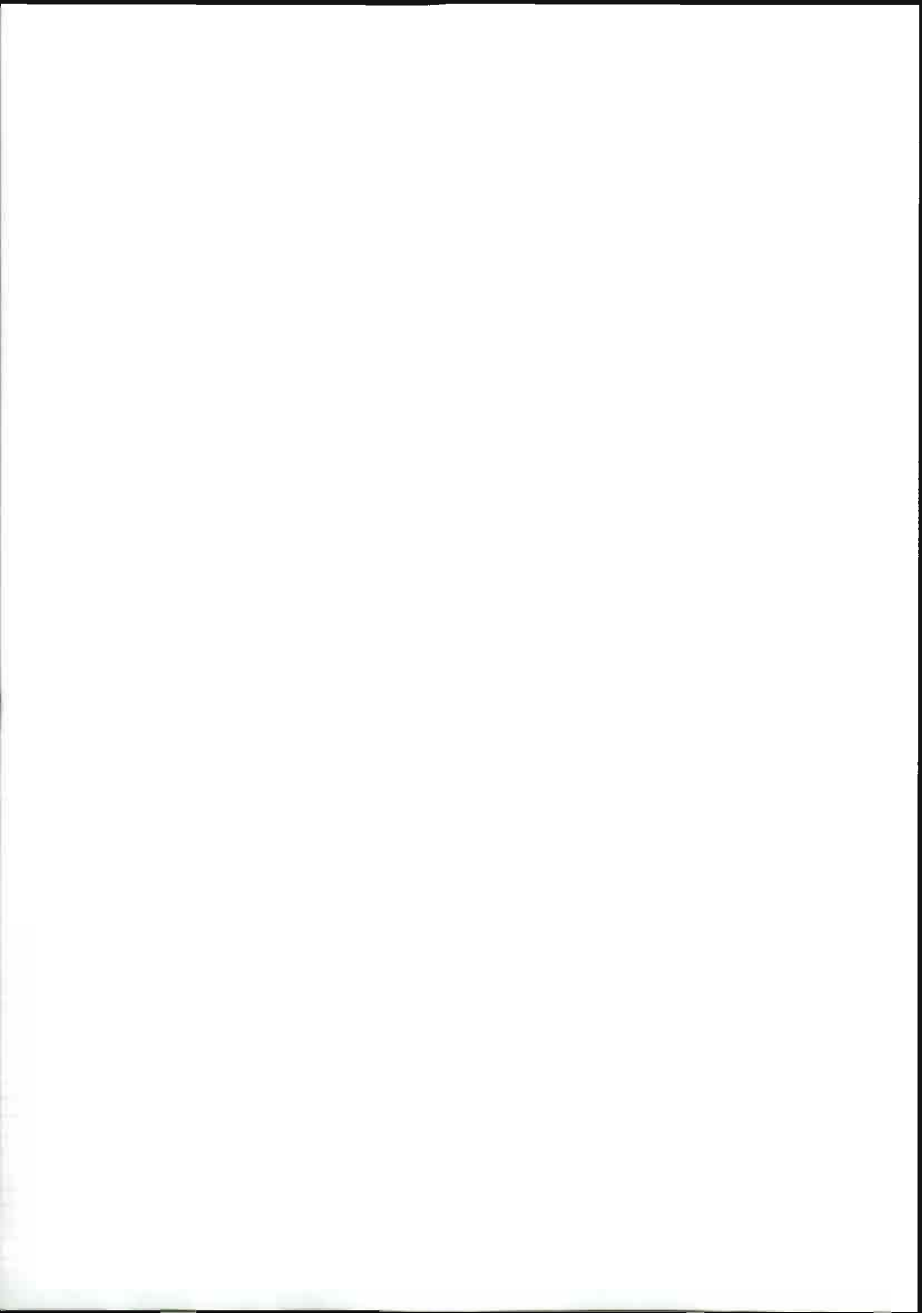
The scores have been quality checked by KPMG's national quality control processes, through a local area based challenge process and nationally by the Audit Commission to ensure consistency in scoring with other auditors and authorities.

Appendix 2 sets out our detailed findings from the use of resources assessment and Appendix 4 sets out our recommendations raised as a result of this work.

Other work

We have not performed any additional work.





Section one

Use of resources (continued)

Use of resources (value for money) conclusion

We are required to give an annual conclusion on the adequacy of the Council's arrangements to ensure effective use of its resources. This is the use of resources or value for money (VFM) conclusion

For 2008/09, the KLOEs for the scored use of resources assessment directly map to the criteria for the VFM conclusion. The Audit Commission has specified which of the KLOEs will form the relevant criteria for the VFM conclusion and these are summarised in Appendix 3.

Based on our use of resources assessment, we concluded that the Council has appropriate arrangements in place to ensure the effective use of its resources. Our conclusion is set out in Appendix 1.



Appendices

Appendix 1: Use of resources conclusion

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice. Having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, we are satisfied that, in all significant respects, Runnymede Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Neil Thomas

Appointed Auditor

for and on behalf of KPMG LLP

Chartered Accountants

Statutory Auditor

1 Canada Square, London E14 5AG

30 September 2009



Appendices

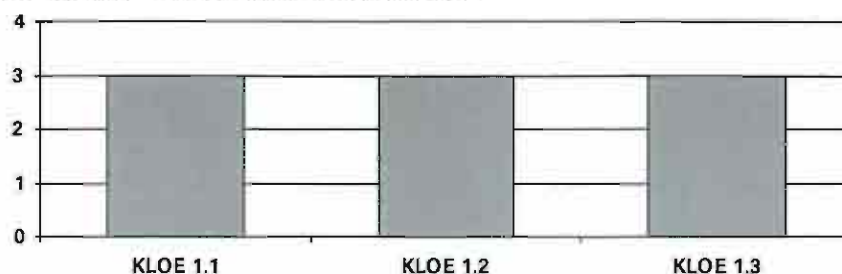
Appendix 2: Use of resources key findings

This appendix summarises key messages from the use of resources assessment by theme and recommendations. The recommendations have been included in appendix 4.

KLOE 1 – Managing finances: overall score 3

The Council has effective financial planning, monitoring and reporting procedures in place. There are examples of the Council engaging with stakeholders to determine strategic priorities, to which resources are then directed. The Council sets and achieves efficiency and savings targets.

The scores by sub KLOE are summarised in the graph below:



As the Council has scored at least level 2 for all criteria, it has met the requirements for the VFM conclusion.

KLOE 1.1 – Financial planning

- The council has a 5 year Financial Forecast in place which is reviewed annually and is closely linked to the Annual Workforce Plan, the Asset Management Plan and the IT Strategy.
- The council engages stakeholders (including residents, business leaders, staff and the general public) in the financial planning process through a variety of methods including the 'Runnymede Voice' and public consultations. The input is used to inform the Councils priorities which feed into the Financial Forecast
- There are a number of example of the Council directing financial resource to local priorities. These include maintaining a weekly waste collection and the development of Hythe Park both of which had been identified by stakeholders as 'important'.
- The Council sets itself challenging targets for the collection of income and arrears levels which are monitored on a monthly basis. These targets have been met by the Council over the last 12 months.

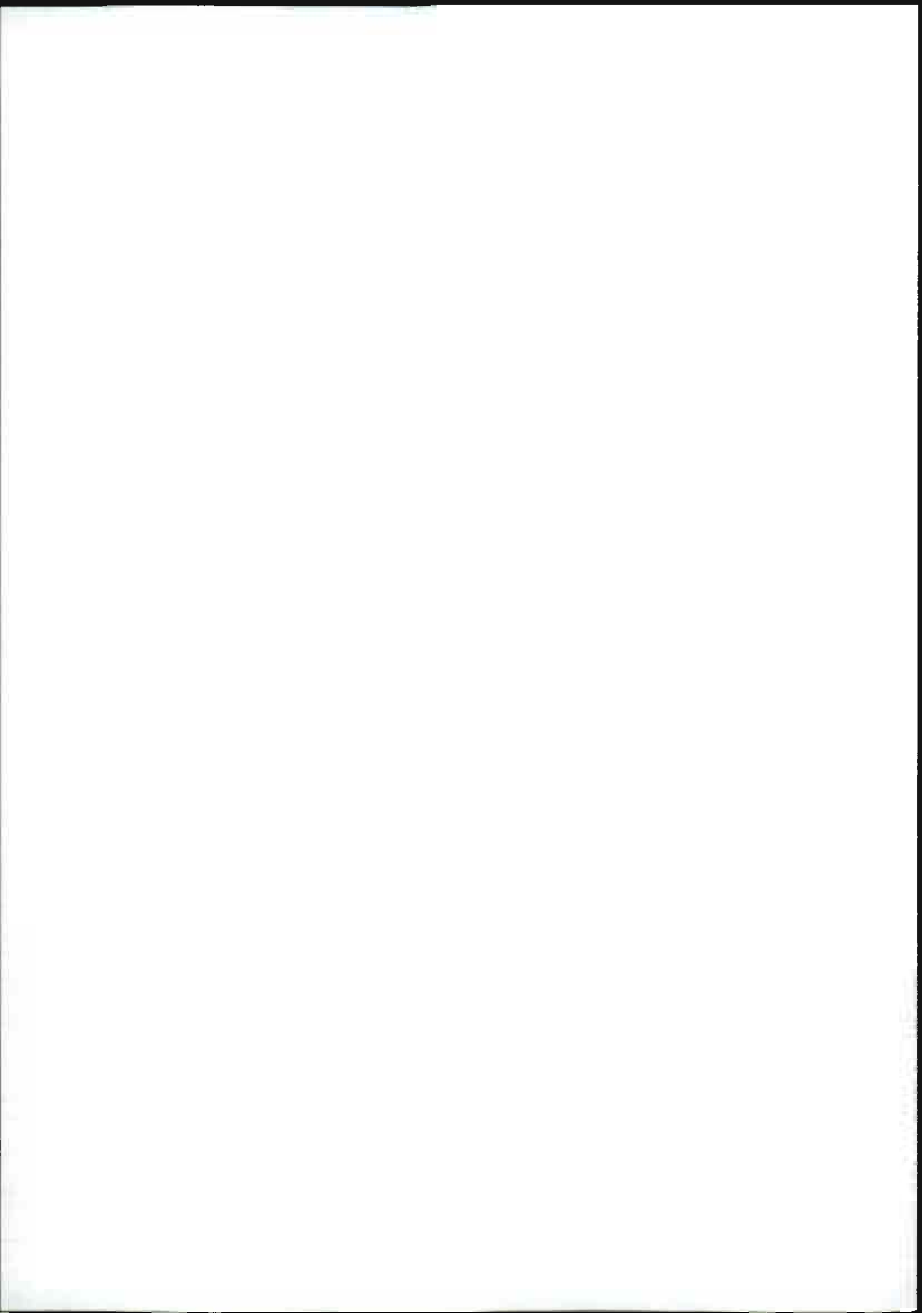
KLOE 1.2 – Understanding costs and achieving efficiencies

- There is a good understanding of the cost drivers across all service areas. High level reporting is supported by detailed transactional analysis and comprehensive working papers. The accounting system allows users to drill down from strategic service reports to view the transactional data that lies behind the high level information, which is then used to inform decision making and identify efficiencies.
- Profiled budgets are input to the main accounting system at the beginning of the financial year, at detail code level. Detailed Budgets are approved before the start of the year and costs are monitored at unit or transaction level regularly throughout the year
- Investment decisions are based on an analysis of whole life costs and benefits. Investments are appraised using standard project appraisal forms where economic and social costs are evaluated and challenged prior to being approval is given.
- The Council sets itself challenging savings and efficiency targets. In 2008 a revenue reduction exercise was undertaken to identify and deliver efficiency savings of £2.6m, of these £2.4m have already been identified.

KLOE 1.3 – Financial reporting

- Committees receive budget monitoring information that is accurate, relevant, understandable. Budget holders can use the accounting system to receive up to date information on the performance of their service areas.
- As noted in section 3 the Council prepared complete Accounts in line with our deadline, which have only been subject to a small number of presentational adjustments. The work papers provided were of a high quality and staff responded to audit queries promptly.
- Reports and publications produced by the Council are available in a variety of forms including on the web, in hard copy and in Braille. They are also re-produced in a variety of languages on request. Diversity and sustainability issues are addressed in a number of publications including the Annual Report and the 'State of Runnymede' magazine.



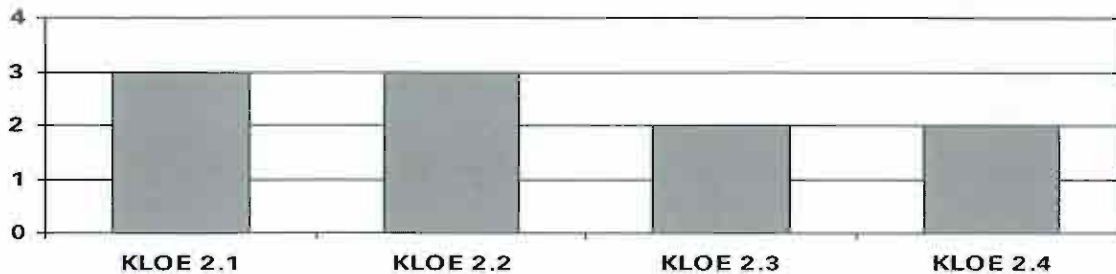


Appendix 2: Use of resources key findings (continued)

KLOE 2 – Governing the business: overall score 3

The Council engages stakeholders in commissioning services which are in line with local priorities. Data quality is of a high standard throughout the Council enabling decisions to be made on complete and accurate data. National Indicators are appropriately compiled and reviewed. The Council has up to date risk management procedures and participates fully in the National Fraud Initiative.

The scores by sub KLOE are summarised in the graph below:



As the Council has scored at least level 2 for all criteria, it has met the requirements for the VFM conclusion.

KLOE 2.1 – Commissioning and procurement

- The Council has a clear vision of intended outcomes for local people which shapes its commissioning and procurement, and is based on an ongoing analysis and understanding of need.
- The Council engages stakeholders in the commissioning of services. For example the 'Yellow Bus' initiative whereby yellow buses are used to take children, who would otherwise go by car, to school was devised following consultation with local businesses who felt that a priority was to reduce traffic congestion.
- The Council works with partners to deliver services which it would be unable to deliver alone. Examples of this include the development of social housing schemes, where the council has worked with local Housing Associations to increase the quantity and quality of the supply.
- Currently, the value for money of services are reviewed on a case by case basis. There is scope for a more systematic approach to this. **See recommendation 1 in Appendix 4.**

KLOE 2.2 – Data quality and use of information

- A formal and comprehensive data quality policy (including arrangements for partnership working) was adopted in 2007 and is updated annually. Accountability for data quality is clearly vested in the four Directors and Chief Executive, with the Chief Executive having the ultimate responsibility for Data Quality demonstrating appropriate buy in from senior members of staff.
- Data Quality is built into the performance objectives of staff against which they are appraised on an annual basis.
- We have tested a number of National Indicators and in all cases these had been appropriately compiled and no issues with data quality were identified.
- The Council has up-to-date data security policies and guidance in place covering data security, business continuity and disaster recovery. There have been no breaches of data security in the year.

KLOE 2.3 – Good governance

- The Council has an up to date Constitution which is updated annually. This sets out the roles and responsibilities of the policy committees and committee chairmen, other Members of the Council, the Review Board and the Chief Executive Officer and Directors. It also sets out the scheme of delegation and reserve powers.
- The Council has formally adopted a code of conduct for members that includes the mandatory provisions of the statutory Model Code of Conduct. All elected and co-opted members have signed up to the code of conduct.
- The Council has a members expenses policy in place which was last updated 3 years ago and is reviewed by the Independent Remuneration Panel. All expenses are published on the Council's website to ensure transparency.
- Partnership governance arrangements are reviewed and determined on a contractual basis. There is scope for the Council to improve their review and monitoring arrangement surrounding partnership governance. **See recommendation 4 in Appendix 4.**
- Whilst the majority of members have personal development plans the Council should ensure that these are rolled out to all members. **See recommendation 2 in Appendix 4.**



Appendix 2: Use of resources key findings (continued)

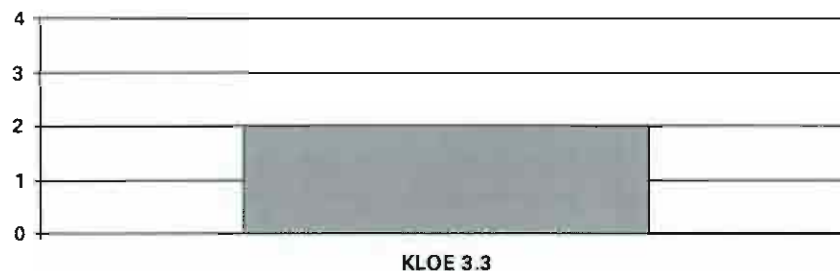
KLOE 2.4 – Risk and Internal Control

- The Council has an up to date risk management strategy which is reviewed annually. Roles and responsibilities for risk management are clearly defined and risk registers are reviewed at appropriate levels. Objectives relating to risk management feed into individual executives appraisals. Partnership risks are included within corporate risk registers.
- The Council participates fully in the National Fraud Initiative and publicises examples of detected frauds. An up to date counter fraud policy is in place.
- Officers reported on the effectiveness of Internal Control to the Standards and Audit Committee in February 2009 and this was considered again in June 2009 alongside the Annual Governance Statement.
- The Council has an in house internal audit team who provide assurance over the internal system of control. The work carried out is based on a risk-assessed plan and covers all core financial controls. We note that there has not been a review of the effectiveness of Internal Audit in the last year. **See recommendation 3 in appendix 4.**

KLOE 3 – Managing resources: overall score 2

The Council has processes in place to develop and maintain a skilled and productive workforce. HR performance indicators are monitored and reported on a regular basis and the workforce is representative of the local population. The Council is currently working towards equality standard level 3.

The scores by sub KLOE are summarised in the graph below:



As the Council has scored a level 2 for all criteria, it has met the requirements for the VFM conclusion.

KLOE 3.1 – Use of natural resources

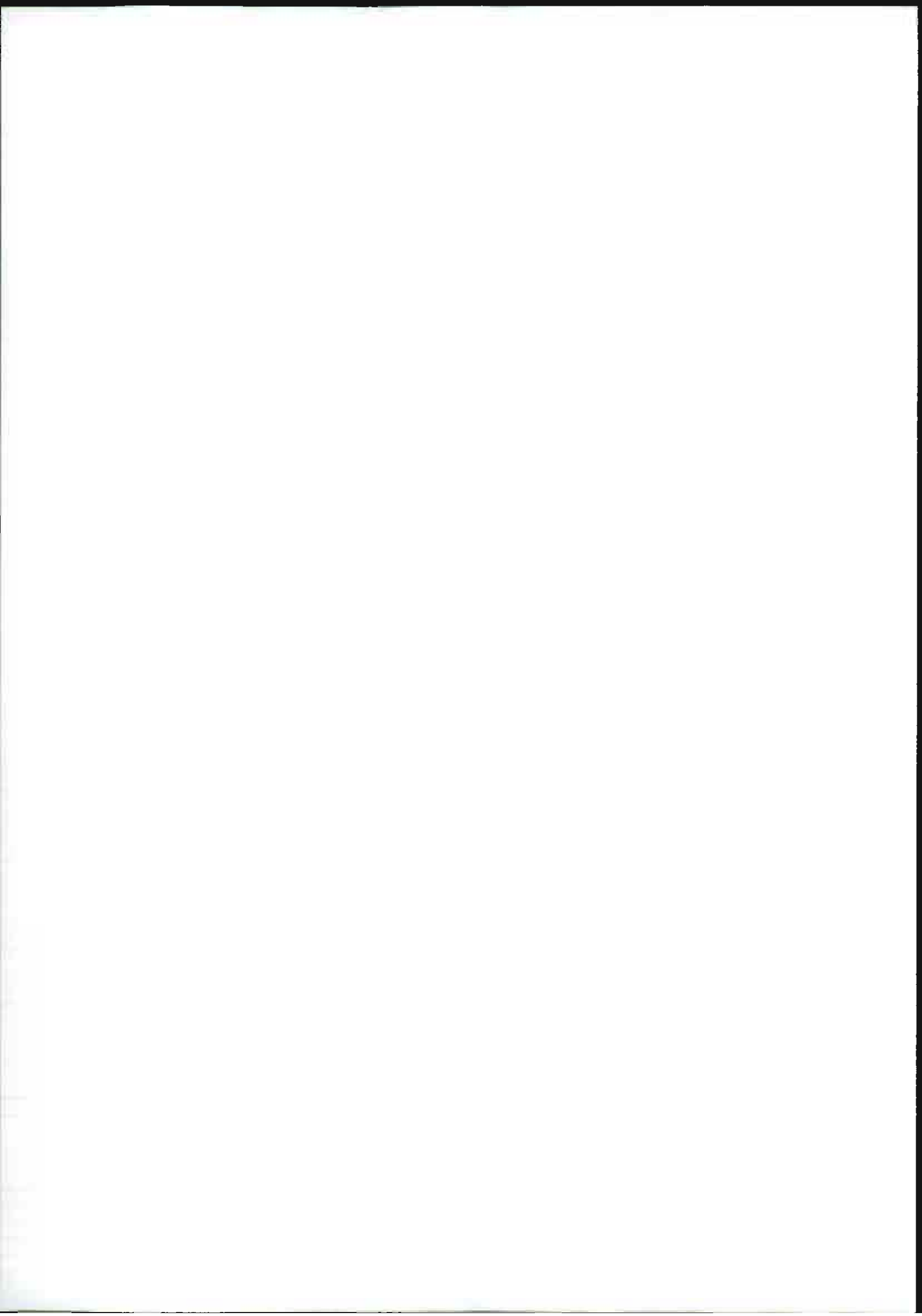
Not applicable to district councils in 2009.

KLOE 3.2 – Strategic asset management

Not applicable to district councils in 2009.

KLOE 3.3 – Workforce planning

- The Council has a work force plan which is updated annually and sets out specific staffing needs and what action is being taken to address them over the next 3 years.
- Formal succession planning is not undertaken due to the small size of the organisation, a lack of certainty about budgets and the future of the organisation. Instead the Council focuses on ensuring that they have a pool of skilled staff from which they can promote and train. Training is carried out both within the council, through external providers and jointly with other Surrey districts. Training needs are identified as part of individuals appraisals.
- The Council monitors their performance against a variety of HR performance indicators including, sickness absence levels, diversity of staff and staff turnover. The workforce is representative of the population.
- The Council has a number of initiatives in place to improve the well being of their staff. These include regular health screening, reduced price membership of sports facilities, a confidential counselling service and holding back to work interviews. These initiatives have resulted in a fall in the average sickness days from 10.1 to 9.7.
- The Council has currently achieved Equality Standard Level 2 and has a task group in place to move the Council towards a level 3 and is currently awaiting peer review. We support this ambition and recommend that progress against the achievement of this target is monitored and reported on a timely basis. **See recommendation 5 in Appendix 4.**



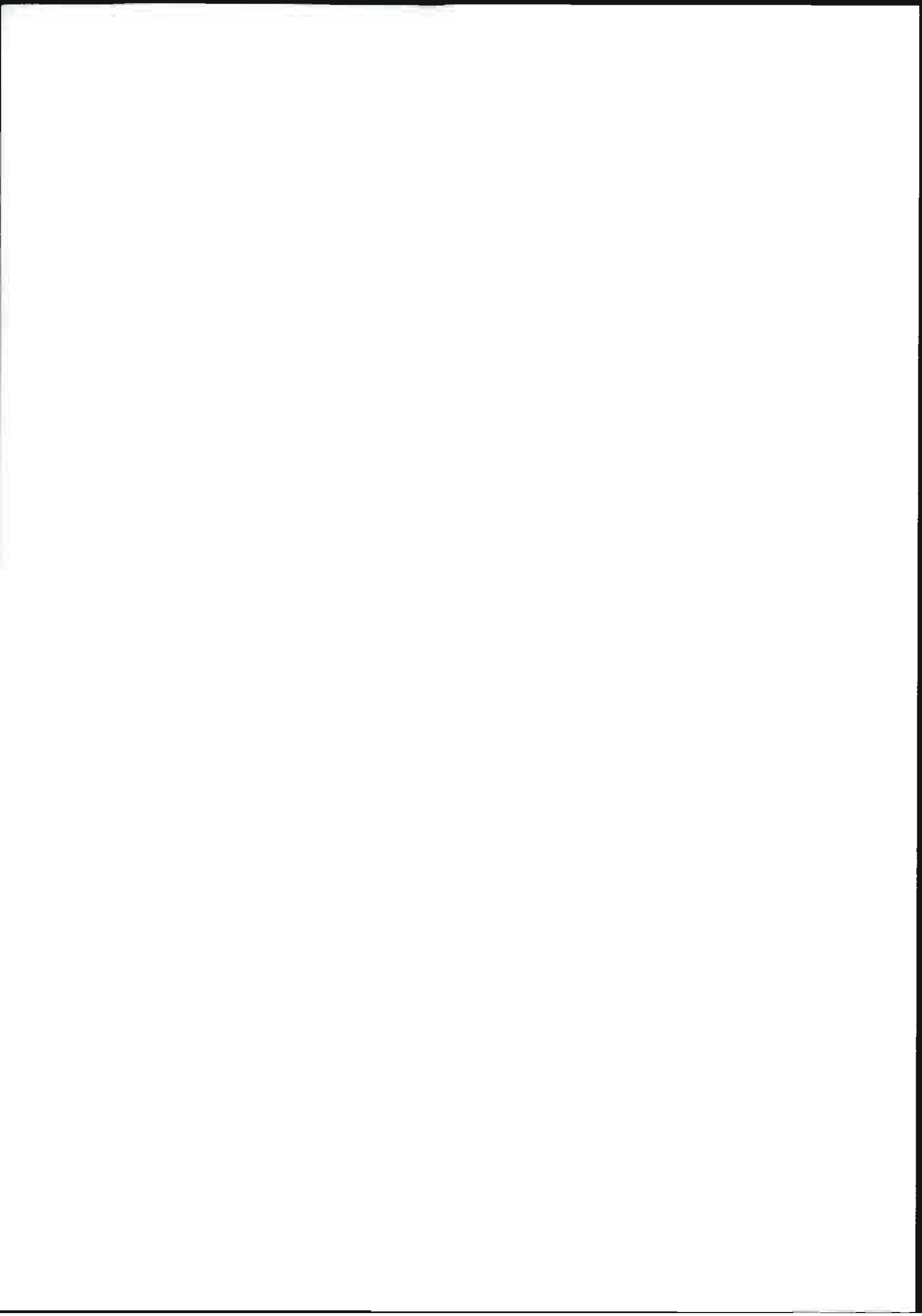
Appendices

Appendix 3: Use of resources criteria and link to VFM conclusion

The Audit Commission has specified which of the use of resources KLOEs form the criteria for the VFM conclusion. These criteria are summarised below.

Use of resources KLOE	Relevance to the Council
Managing finances	
1.1 – Financial planning	✓
1.2 – Understanding costs and achieving efficiencies	✓
1.3 – Financial reporting	✓
Governing the business	
2.1 – Commissioning and procurement	✓
2.2 – Data quality and use of information	✓
2.3 – Good governance	✓
2.4 – Risk management and internal control	✓
Managing resources	
3.1 – Use of natural resources	X*
3.2 – Strategic asset management	X*
3.3 – Workforce planning	✓

*These were not assessed at District Councils for 2008/09



Appendix 4: Recommendations

This appendix summarises our recommendations relating to the accounts production and Use of Resources process. We have given each one a risk rating (as explained below) and agreed with management what action they will take.

Priority rating for performance improvement observations raised

Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.



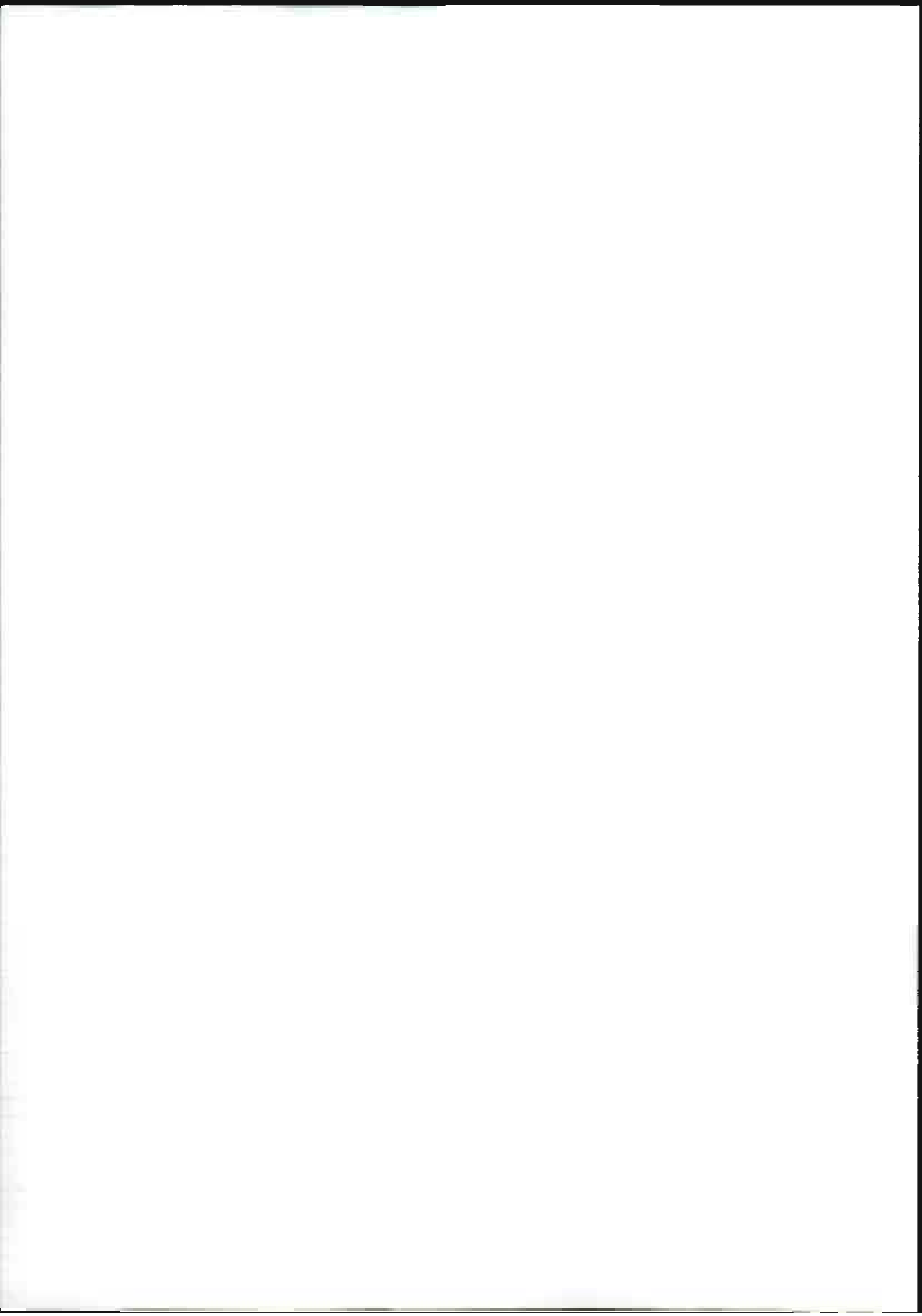
Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.



Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.



Number	Risk	Issue and recommendation	Management response	Officer and due date
Systematic Review of Procured Services				
1	Low	<p>Currently the Council reviews the efficiency and value for money of its procured services on an ad-hoc basis.</p> <p>The Council should adopt a more systematic approach to reviewing these services to ensure that all services are providing maximum value for money and meeting the needs of the local population.</p>	<p>The Council is currently reviewing all its services in order to reduce budgets that can be sustained in the long term.</p>	<p>Chief Executive, Being actioned.</p>
Members Personal Development Plans				
2	Low	<p>We note that 100% of the members do not have personnel development plans.</p> <p>The Council should ensure that all members have up to date personnel development plans and are appraised against these on an annual basis.</p>	<p>Disagreed. Members are not employees and it should be for individual members to decide if a formal development plan is appropriate for them. We will continue to review the training of members on a collective and individual basis, but will not go as far as introducing a requirement for personal development plans.</p>	
Review of Effectiveness of Internal Audit				
3	Low	<p>The Council has not reviewed the effectiveness of Internal Audit in the last 12 months in line with CIPFA guidelines.</p> <p>The Council should implement an annual review of the Effectiveness of Internal Audit.</p>	<p>Agreed.</p>	<p>Director of Finance, November 2009</p>
Partnership Governance				
4	Medium	<p>Currently governance arrangements for partnerships are determined on a contractual basis.</p> <p>The Council should ensure that these arrangements are reviewed on a timely basis and that all partners are fully aware of the arrangements.</p>	<p>Arrangements with partnering organisations are well documented and understood by the parties concerned. Where it is necessary to subject these arrangements to formal contracts we do so. Where an arrangement with a voluntary organisation is adding value rather than providing a service it is more appropriate to have a service level agreement. This provides security to the provider and budgetary certainty to the Council.</p>	
Achievement of Equality Standard Level 3				
5	Medium	<p>The Council has not achieved equality standard level 3 yet. We understand that a working group has been put in place to move the Council towards this.</p> <p>The Council should ensure that progress against this target is regularly monitored and appropriately reported.</p>	<p>We are working hard at a corporate level to achieve level 3 of the Equality Standard by October 2009. Progress is regularly reviewed as part of the project management process and reported to the Management Team.</p>	<p>Chief Executive, October 2009</p>



Appendices

Appendix 4: Recommendations (continued)

Number	Risk	Issue and recommendation	Management response	Officer and due date
5	● (three)	<p>Achievement of Equality Standard Level 3</p> <p>The Council has not achieved equality standard level 3 yet. We understand that a working group has been put in place to move the Council towards this.</p> <p>The Council should ensure that progress against this target is regularly monitored and appropriately reported.</p>	<p>We are working hard at a corporate level to achieve level 3 of the Equality Standard by October 2009. Progress is regularly reviewed as part of the project management process and reported to the Management Team.</p>	<p>Chief Executive, October 2009</p>

