

Annual Audit and Inspection Letter

Herefordshire Council

Audit 2007/08

February 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:

- any director/member or officer in their individual capacity; or
 - any third party.
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Summary

Key messages

- 1 Herefordshire Council is improving well. Performance has improved in most priority areas. Good outcomes are being secured for children although assessments for social care and reviews of child protection are slower than average. Exam results and safeguarding of vulnerable children have improved. Most areas of adult social care have improved steadily with waiting times for assessments reduced and more people helped to live at home. The Rother was access road is a springboard for future development although a slowdown in progressing planning applications weakens regeneration efficiency. More waste is recycled and composted but waste collection and disposal costs continue to increase. Housing demand is rising. Responses to this are developing. The Council contributes positively to community outcomes and works well in partnership to reduce crime and engage diverse communities. Services are more accessible. Use of resources has improved although measuring and reporting value for money is inconsistent. Plans are clear and capacity to deliver them is good. Delivery of outcomes for the public is strengthened by the innovative Council and Primary Care Trust joint management structure. Response to previous governance failings in ICT is good.
- 2 We gave an unqualified opinion on the accounts. The quality of the statement of accounts and working papers was very good.
- 3 For Use of Resources (an assessment of financial management), the Authority has been assessed as performing well, an improvement from the previous year. Of the five themes included in the assessment, one (financial reporting) was assessed as strong, two (financial standing and financial management) were assessed as performing well and two (value for money and internal control) were assessed as adequate. We also concluded that the Council's financial position remains sound.
- 4 The future delivery of waste management within the County continues to be uncertain. There has been considerable commitment and effort in the last year to try to come to a solution which will reduce the amount of waste going to landfill. Progress has included the establishment of governance and project management arrangements to help drive the development of waste treatment facilities. However a solution is yet to be agreed and as a result there continues to be a risk of contract termination.
- 5 The Council has responded well to our previous recommendations regarding the IT transformation programme, Herefordshire Connects. The key issues now for the Council are to ensure that processes are put in place to drive out the expected benefits, including financial savings, and that the relationship with the Council's strategic partners is managed effectively
- 6 The arrangements for ensuring data quality were again assessed as adequate. The Authority is now demonstrating a much stronger commitment to securing and using quality data.

- 7 Partners in the Safer Roads Partnership (of which the Authority is the lead member) are committed to working together to improve road safety in the area. But the transition from the earlier successful safety camera partnership has been slow and is still incomplete. The Partnership does not use the information available to identify the best approach to improving road safety.

Recommendations	
R1	Ensure that the developing joint management arrangements between the Council and PCT result in the setting and monitoring of shared targets that clearly state the improved outcomes that local people can expect to experience as a result of the closer working of the two organisations.
R2	Ensure that responses being developed to address delays in carrying out timely assessments for children’s social care are effective and sustainable.
R3	Monitor the Safer Road Partnership's response to the recommendations from our recent assessment.
R4	Continue to actively pursue a satisfactory conclusion to waste management as soon as possible.
R5	Ensure that processes are put in place to drive out the expected benefits of Herefordshire Connects, including financial savings.

Purpose, responsibilities and scope

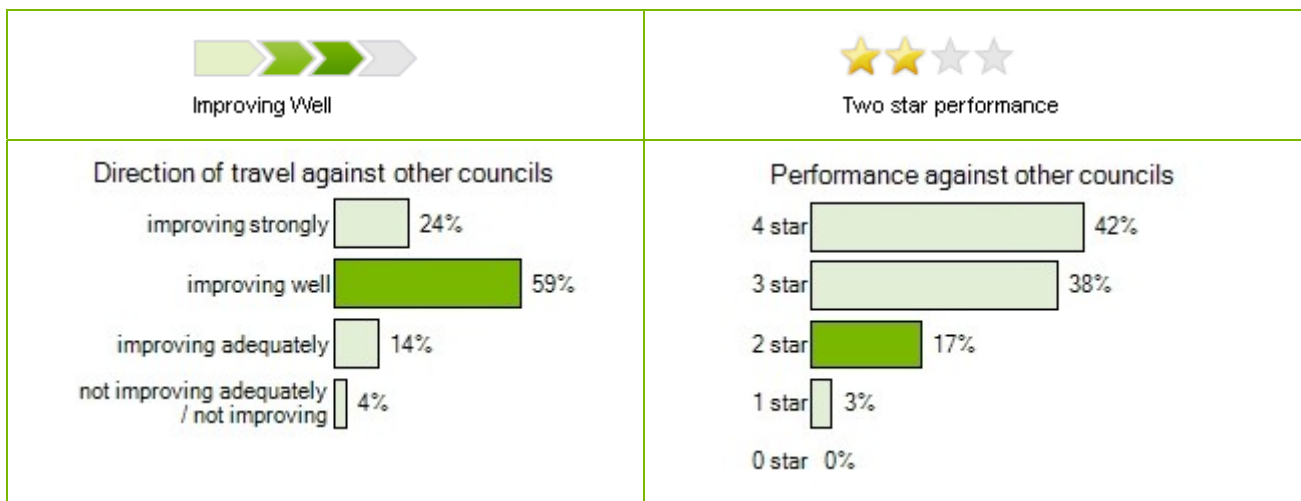
- 8** This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter. We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 9** This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. In addition, the Council is planning to publish it on its website.
- 10** Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, your appointed auditor reviews and reports on:

 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 11** This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 12** We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Herefordshire Council performing?

13 The Audit Commission’s overall judgement is that Herefordshire Council is improving well and we have classified the Council as two stars in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

Figure 1 Overall performance of county councils in CPA



Source: Audit Commission

How is Herefordshire Council performing?

Our overall assessment - the CPA scorecard

Table 1 CPA scorecard

Element	Assessment
Direction of Travel judgement	Improving well
Overall	
Corporate assessment/capacity to improve	2 out of 4
Previous corporate assessment/capacity to improve, as included in overall CPA judgement in 2007	3 out of 4
Current performance	
Children and young people*	2 out of 4
Social care (adults)*	2 out of 4
Use of resources*	3 out of 4
Housing	3 out of 4
Environment	3 out of 4
Culture	2 out of 4
Benefits	4 out of 4

(Note: * these aspects have a greater influence on the overall CPA score)
(1 = lowest, 4 = highest)

The improvement since last year - our Direction of Travel report

What evidence is there of the Council improving outcomes?

14 Performance has improved in most priority areas. The Council's ranking in its benchmarking group has improved from 29 last year to 16. Over a three year period Herefordshire's performance remains in line with similar councils with 66 per cent of performance indicators improving over that period. This is within the average range for all single tier councils. However the rate of improvement across all services as measured by the Audit Commission basket of indicators in 2007/08 has slowed in comparison to last year. 61 per cent of all national performance indicators improved which is marginally below the average range for single tier councils. The number of performance indicators in the best quartile remains at 26 per cent, behind the national average. Overall use of resources has improved from 2 to 3. Resources are being targeted at priority and under performing services and some improvements are being made.

- 15** The Council's top priorities are linked to its corporate plan themes of Children and Young People; Health and Wellbeing; Older People; Economic development and enterprise; Safer and Stronger communities and organisational improvement and greater efficiency. The top priorities are: the best possible life for every child; safeguarding vulnerable children and improving educational attainment; reshaped adult health and social care, so that more older and other vulnerable people maintain control of their lives; the essential infrastructure for a successful economy enabling sustainable prosperity for all; affordable housing to meet the needs of local people and better services, quality of life and value for money particularly by working in partnership with the PCT and other local organisations.
- 16** Services for children are improving. OFSTED's overall annual performance rating remains at 'adequate'. Secondary school pupils are achieving well and performance continues to improve year on year. GCSE and Key Stage 2 results have improved and Key Stage 3 performance remains strong. Targeted work to improve key stage 1 performance is in place and work to reduce absence in secondary schools is being prioritised by the Education Welfare Service. Continued improvement has been made in safeguarding vulnerable children. Provision of placements for looked after children is good and further progress has been made in their GCSE pass rates. The Council remains in the best quartile for ensuring that care leavers are in education, employment or training. Adoptions of looked after children have risen from the worst to the best quartile. However work to improve timeliness of referrals and assessments and of reviews of the child protection register is ongoing and performance is still lower than average.
- 17** Major ongoing changes to the delivery of adult health and social care are beginning to deliver improvements for users and carers. The new Shop4Support scheme gives users the ability to directly choose and control their social care services. The Commission for Social Care Inspection (CSCI) rating for outcomes has remained as 'adequate' but with three outcome judgements improving from adequate to good. Changes to services to help older people and adults with mental health problems and with learning disabilities to live at home have led to slightly improved performance. Vulnerable people have greater access to support through the new mental health 'Just checking' service and the 'Roving night' service. Progress to help disabled adults live at home has improved over three years but performance dipped slightly over 2007/08. Recognising the need to transform residential provision for people with learning disabilities the Council has appointed a new service provider. More households are receiving home care (7.4 per thousand up from 6.4 in 2006/07) and the waiting times for assessment packages have reduced. Support for carers has improved with the establishment of the Carers' Hub and network. Provision of new care packages and of intensive home care for older people has also improved. New Community Warden schemes are providing additional support for isolated older people, helping them to remain in their own homes. Equipment to help people to retain their independence is delivered very quickly.

How is Herefordshire Council performing?

- 18** Progress has been made on developing the local economy. This was demonstrated by the Council's success in the Enterprising Britain Awards 2008. The opening of the Rotherwas access road has helped to create the infrastructure for future planned economic development and work to deliver the Edgar Street Grid project has progressed with the selection of a retail developer and a housing development partner. Performance on determining major planning applications has deteriorated in 2007/08, weakening the Council's ability to provide a timely response to developer requests and the Council acknowledges that achieving the target in the current year will be difficult due to staffing changes and the impact of the economic downturn but still expects to do so.
- 19** There have been some improvements in services contributing to sustainable communities, although pressures on delivery, due to the Council's widely dispersed and often sparsely populated communities, remain a challenge. The proportion of waste recycled or composted continues to increase and the Council is consistently reducing the amount of household waste collected. Maximising access to kerbside recycling is problematic in Herefordshire but performance has continued to improve more quickly than most although customer satisfaction with the service decreased. The cost of waste collection and disposal continue to increase and securing reductions through new contracts remains a priority. Despite difficulties, caused by a range of external pressures, improvement was made in housing as recognised by an improved Housing CPA score. More affordable housing units were built. Although the Council did not meet its own target last year its monitoring indicates that the target will be achieved in 2008/09. Increased demand for housing from homeless people has resulted in the average length of stay in hostel accommodation increasing, whilst use of bed and breakfast and hostel accommodation improved from 15 weeks in 2006/07 to five weeks in 2007/08. Internal monitoring suggests that changes to processes have led to a decrease in homelessness acceptances during the current year. The Council is prioritising the search for innovative responses to the rising demand for temporary accommodation and plans to use private sector leasing to help reduce its use are being implemented. The Council continues to fund a mortgage rescue package with a local housing association to enable vulnerable households to avoid repossession.
- 20** Work to build safer communities is effective. Herefordshire is a very safe place to live. 86 per cent of the basket of safer and stronger PIs improved since last year which is above the average range for all single tier authorities. The number of domestic burglaries, robberies and vehicle crimes all reduced as did the number of people killed or seriously injured on the roads. Even though instances of violent crime and criminal damage increased only marginally the Council and its CDRP partners are prioritising responses to these issues alongside working to reduce public levels of fear of crime which do not reflect the actual level of crime.

- 21** Delivery of the organisational improvement and greater efficiency priority was boosted by some positive developments. The Council's use of resources score improved from 2 to 3 and the ambitious and innovative joint management arrangements for the Council and PCT are in place. The proportion of employees from an ethnic minority community and of top paid staff that are women or from an ethnic minority increased. Staff sickness marginally increased, potentially harming the Council's ability to deliver services, although performance remains in the second quartile. The Herefordshire Connects project has been reviewed and work to deliver it has now started. This is at an early stage and benefits for the public and efficiencies are not yet apparent.
- 22** Partnership working is strong and focused on delivering outcomes that are important to local people. Small scale but effective joint tasking arrangements to tackle anti social behaviour have been developed with the Police, Housing Associations and other agencies and work to develop this approach through the creation of an Anti Social Behaviour Team is ongoing. Joint working with the voluntary and community sector through the Alliance is a particular strength in Herefordshire. It was rated as strong in CSCI's assessment and this helps to build the capacity of groups and volunteers to deliver important complementary services, especially in rural areas. Partnership working to deliver improved outcomes for communities has been strengthened by new performance management arrangements. The Local Strategic Partnership has been fundamentally reviewed and a revised structure has been implemented. The Council's own monitoring indicates that the majority of Local Area Agreement (LAA) targets are either on course or progressing towards achievement.
- 23** The Council is improving its ability to understand and engage with the needs of diverse groups across the county and access to services is improving gradually. With support from Improvement and Efficiency West Midlands the Council is working to establish the Herefordshire 100 network of groups to improve engagement within BME communities to supplement other consultation activity and it has supported the establishment of 2 new community organisations for BME groups. Further work has been done to develop understanding of the needs of the Eastern European migrants in the county. This is particularly important due to the rural economy's reliance on seasonal and migrant labour. Results are being used in service planning. Organisational arrangements supporting the approach to equality have improved with the Council accredited at level 3 of the Equality Standard from 2 last year. Involvement in planning and provision of services for carers and service users has improved. Services are being made more accessible to the public although technical problems have slowed the impact of changes. Customers can now access benefits details on the internet. To simplify access for users front office services have been established for Planning and Environmental Health and Trading Services. The transfer of Council tax enquiries to the Contact Centre was initially problematic for users and improvement work is ongoing. Overall levels of satisfaction with the Council have not changed significantly. Through its annual satisfaction surveys and follow up work with the Citizens Panel the Council is working to understand the reasons for the relatively poor satisfaction with the Council and how this relates to the generally better results for satisfaction with services.

How is Herefordshire Council performing?

24 Arrangements to provide and manage value for money continue to be adequate. Costs remain relatively low. The Council is making improvements to its arrangements to define and secure vfm and to manage costs but these are not yet resulting in consistently improved outcomes. Good progress continues to be made in procurement and in the achievement of efficiency savings. Developments in benchmarking and measuring and reporting VFM should help to secure future improvements. There is a strong corporately led focus on budget management.

How much progress is being made to implement plans to sustain improvement?

- 25** Good progress has been made on the development of joint plans and strategies and capacity to deliver them has been strengthened through the establishment of innovative structures.
- 26** Corporate plans are clear and linked to those of partners. The corporate plan 2008/11 outlines the Council's actions in support of the delivery of the community strategy and explains how the closer working between the council and the PCT will develop over the period of the plan. This provides a framework against which progress towards shared priorities can be measured and managed although targets in the corporate plan are not yet consistently SMART. Partnership working is strong and focused on delivering shared objectives.
- 27** Capacity to deliver plans has improved well. The Council is investing in priority areas – chiefly Adult Social Care. Capacity to deliver in partnership has been boosted by the implementation of the single management structure for the Council and PCT. This unique arrangement demonstrates the commitment shared by the Council and PCT to develop new approaches to providing and commissioning services. It is leading to better joint working and delivery of outcomes in priority areas such as children's services. The OFSTED and CSCI annual reports both confirm that management capacity to deliver has improved and their scores for capacity to improve have increased to 'promising' as a result.
- 28** Performance management has been strengthened for the Council and for key partnerships. A performance improvement cycle has been introduced that integrates all aspects of corporate, directorate, service, financial and workforce planning. It demonstrates the link between the ambitions in the Herefordshire Sustainable Community Strategy and the Council's Corporate Plan and the service objectives and actions to deliver those ambitions as set out in directorate, service and other more detailed plans. Each indicator has a red, amber or green rating. This enables councillors and senior officers to track and manage performance towards joint targets and outcomes across the range of council and partner activities. Performance management frameworks are also aligned with those of key partners. The Herefordshire Partnership performance management process mirrors the Council's, ensuring clarity of ownership and monitoring of delivery of LAA targets.

- 29** Stretching targets are set although delivery against them is mixed. Good progress has been made in hitting stretch targets in economic development and enterprise and performance, in areas of historic under achievement in adult social care, is improving steadily. Efficiency savings targets were exceeded. Improvements in processing times for new Housing and Council Tax Benefit claims and changes of circumstances have contributed to an improved CPA Benefits score of 4. However, in some historically strong areas such as NNDR collection there has been deterioration in performance against targets and although education performance is generally strong the Council did not meet its targets for attendance and achievement. Although it has been prioritising the work, the Council has under performed in providing timely assessments for children's social care. A recruitment and retention strategy for social workers is being implemented in response to staff shortages and difficulties in recruiting although it is too early to gauge its impact.
- 30** Good progress is being made to respond to previous serious flaws in corporate governance. The response to the Crookhall report has been built in to corporate performance monitoring arrangements and progress on completion of actions is good. Revised procurement arrangements are becoming embedded and are well understood across the Council. Work to review and amend key service delivery partnerships is ongoing. The failure to find a final solution to the waste management contract continues to be an area of weakness.

Audit of the accounts

31 We gave an unqualified opinion on the accounts in September 2008. The accounts presented for audit were free of material misstatements and were supported by very good working papers. Finance staff responded very promptly and positively to all requests for further information which resulted in the whole process going very smoothly. We made only two recommendations in the Annual Governance Report presented to Members in September. The first was in relation to improving controls in the system used to pay nursing homes and the other was to review pooled budget arrangements with the PCT including ensuring governance arrangements are updated with signed agreements.

Whole of Government accounts

32 Central government has embarked on a programme leading to the preparation of consolidated accounts for the 'whole of government', including local government. The Authority is required to submit a 'consolidation pack' to the Department for Communities and Local Government and we undertake a range of procedures and report on the pack.

33 We were able to report that the 'consolidation pack' was consistent with the financial statements on which we gave an unqualified audit opinion by the deadline of 1 October 2008.

Use of resources

34 We are required to:

- conclude whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion; and
- assess how well the Authority manage and use financial resources by providing scored judgements on the arrangements on five specific themes.

Value for money conclusion

- 35** We concluded that the Authority has proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources.
- 36** The conclusion is considered against twelve national published criteria which also link across to the Use of Resources themes. In addition, we considered the results of our review of data quality.

Review of data quality

- 37** As part of our work on the value for money conclusion, we carried out a review of data quality. We considered whether the Authority has proper arrangements in place to ensure the accuracy of key performance data, following up our detailed work in previous years.
- 38** Following last year's audit, twelve recommendations were made for improving the Council's corporate arrangements for Data Quality. A detailed action plan was drawn up by the Performance Improvement Network to address all these issues and progress is being monitored by Cabinet and the Audit and Corporate Governance Committee. We have seen that improvements have been made in response to our recommendations, but, as arrangements were generally not in place until after 31 March 2008, the full effect of improvements will not be evident until next year's assessment.
- 39** A significant improvement has been noted in respect of Data Quality Policies and Procedures this year. A Data Quality policy is now in place and accessible to all staff.
- 40** In addition, a Herefordshire Public Services Information Management Group (IMG) has been established to promote greater awareness and knowledge of Data Quality.
- 41** We have also seen evidence from the detailed review of individual indicators of improvement in systems and processes this year. Internal Audit reviewed 12 Performance Indicators (an increase from the five reviewed last year) and concluded that there is a 'good' control level on over half the reports and 'satisfactory' on the remainder. There were no changes required to the reported data. We carried out detailed checks on four performance indicators and found all to be correctly stated.

Use of resources

- 42 An action plan has been agreed to address the recommendations in our detailed report.

Use of Resources scores

- 43 We assessed the Authority's arrangements on five themes and scored each theme from 1 to 4 (1 = inadequate performance, 2 = adequate performance, 3 = performing well and 4 = performing strongly).
- 44 The Council is performing well. Given the issues identified last year, this is a marked improvement. The investment the Council has put into enhancing the overall arrangements for delivering value for money is clearly visible and this has been reflected in the increase in score across several themes as well as the overall score. Of particular merit was the very good performance in financial reporting in 2008, which lead us to award the Council the highest possible score. The Council now needs to focus more on demonstrating the positive outcomes delivered from having these arrangements which will be a key feature of the new style of assessment next year. The Use of Resources assessments we made are set out in the table below.

Table 2 Use of Resources scores

Theme	Assessment
Financial reporting	4 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	2 out of 4
Value for money	2 out of 4
Overall assessment of the Audit Commission	3 out of 4

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- 45 The assessments showed a continuation of performance that was assessed as 'above minimum requirements - performing well'. We identified several areas of best practice.

Financial Reporting

- 46 The Council produces accounts to a very good standard, on time and in accordance with agreed protocols. The Council has continually monitored the standard of working papers supporting the accounts and has responded well to advice on how these can be improved. The working papers provided for this year were very good. There were no significant errors to the accounts.

- 47 The Director of Resources provides a good commentary which supports the accounts provided to the Audit and Corporate Governance Committee and the Committee are very robust in their scrutiny of the accounts prior to adoption.
- 48 The Council's website is good, with immediate access to the accounts. The Council provides a very good summary booklet which includes an annual review and summary accounts. This booklet has a wide distribution, is accessible to the public and provides easy to understand information.

Financial Management

- 49 The Council has a good Medium Term Financial Management Strategy (MTFMS) and this is linked to key strategic objectives and is updated regularly. Budget management and monitoring of both capital and revenue budgets are robust.
- 50 There are good links between the Corporate Plan and MTFMS. The Corporate Plan takes account of stakeholder consultation. The Council needs to consider including all revenue implications of significant projects within the Corporate Plan.
- 51 The Council has continued to improve its management of performance against budgets. The budget is reported to Members bi-monthly and is part of the Integrated Performance Report (IPR) which provides both qualitative and quantitative information. The standard of reporting of budgets to Officers is good, monthly reports are provided which allow Officers the opportunity to review and provide action plans to address possible over or under spends. Training has improved and could now be considered strong.
- 52 The Asset Management Plan has been updated during 2007/08. There are clear linkages between the Capital Strategy, Corporate strategy and MTFMS. Property reports are submitted to the appropriate monitoring committees. There is an annual programme of planned maintenance and the level of backlog maintenance has been assessed. The Council can improve the reporting of data regarding efficiency, effectiveness and running costs within its asset register.
- 53 Investment decisions are now made based on a more thorough and robust appraisal. We reported in 2006/07 that there was not initially a full options appraisal for Herefordshire Connects. The Council has taken on board our recommendations regarding Herefordshire Connects and the latest proposals include options appraisal to Members.

Financial Standing

- 54 The Council has a good track record of achieving financial balance. The Council has consistently under-spent against its budget and in 2007/08 this was by only £591k. The Medium Term Financial Management Strategy (MTFMS) has improved the management of reserves with revenue reserves being more clearly aligned to specific service areas. There is a clear policy on reserves with general reserves intended to not go below £4.5 million.
- 55 Capital and Revenue reserves have reduced in 2007/08 with Capital Reserves standing at £17.9 million and Revenue Reserves £23.2 million at 31 March 2008. This compares with prior year reserves of £22.4 million and £27.8 million respectively. Within this, Schools balances reduced by £2.5 million to £5.7 million.

Use of resources

- 56 Debt monitoring has improved. In 2006/07 we reported that there was still significant debt that was over five years old. There has been some movement, notably the monitoring and management of debt has improved. Aged Council Tax debt has reduced and the Council has set targets to reduce the debt further.
- 57 The Council's share of the pension fund deficit grew to £132 million at 31 March 2008 from £88 million. The deficit on the scheme will be made good by increased contributions over future years as assessed by the scheme actuary.

Internal Control

- 58 There have been significant improvements within internal control of the Council. In last year's assessment we placed significant emphasis on issues in relation to ICT. These have been addressed and the Council must now fully embed the arrangements that they have put in place.
- 59 Risk Management continues to improve and the partnership with the Primary Care Trust should see risk management improving still further. Risks are linked to strategic objectives, however some consideration should be given to including all significant risks, such as the Edgar Street Grid (ESG), within the Corporate Risk Register. We have been informed that the ESG will be included in the next register produced.
- 60 The Member responsible for risk does not have specific terms of reference. Minutes from meetings where risk is discussed did not provide assurance that any discussion had taken place.
- 61 The Council has improved its internal control arrangements throughout 2007/08 and into 2008/09. The Council has a robust and challenging Audit and Corporate Governance Committee which has continued to improve. Issues addressed in the Crookhall report have also been or are being addressed through Cabinet.
- 62 A Corporate wide Business Continuity Plan is now in place and this is embedding into Council culture.
- 63 The Council has tightened up the reconciliations of financial systems. Scrutiny needs to continue to develop. For example, the Children's and Community Scrutiny Committee made a recommendation regarding children's dental health which has not been followed through into later meetings.
- 64 The weaknesses identified in 2006/07 in relation to gifts and hospitality and the recording of them have been addressed. The Council has updated its constitution, including the Code of Conduct, Financial Procedures and Whistle-blowing Policy. The Gifts and Hospitality Register is reviewed by the Monitoring Officer and there are six monthly reminders sent to all key staff to ensure that they are aware of their responsibilities. These changes will need to embed into the culture of the Council.
- 65 The Council has improved the way in which it disseminates information to staff but there are still improvements to be made. For example, the Whistle-blowing Policy is not easily accessible to staff or the public via the internet. The Council has ensured that Members and Officers are aware of their ethical responsibility. A training session was held in May 2007 and the Audit Commission's 'Your Business at Risk' tool has been used in Summer 2009. The survey highlighted the need to ensure staff are made aware of policies and strategies such as the IT security policy and anti-fraud strategy.

Value for Money

- 66** The Council remains a generally low cost authority with a mixture of performance. Areas of higher spending are broadly in line with stated priorities. In some areas this results in improved services (eg in Education). In others the Council is directing higher spending to improve outcomes (Adult Social Care) and long term resource commitment is continuing to help poor performance improve (waste disposal). There has been continued improvement in some priority areas since 2006/07. In Education - the Council's largest area of spend - overall performance compared to all councils is generally good and improving. In Environment Planning and Transport, value for money remains reasonable. Spending in Children and Adult Social Care has increased as a result of in depth analysis of needs, putting both now in line with the average. Overall performance in these areas remains average with improvements being made in some services although this is not consistent yet. In Benefits and Local Taxation, costs remain low and some improvements have been made in performance. Overall satisfaction with Council services has not improved significantly
- 67** The Council is in the process of making improvements to its arrangements to define and secure value for money (VFM) and to manage costs but these are not yet resulting in consistently improved outcomes. The Council still does not bring together the comparative data that it has with cost data to measure VFM internally or in comparison with other councils. Work to fill in the gaps and inconsistencies in benchmarking is ongoing. Processes for reviewing and improving VFM are developing but there is not yet a consistent approach to measuring and reporting VFM. The Council is improving and expanding its information on the needs and views of different community groups and this is starting to influence service planning. However its approach to collating and analysing cost information still does not yet consistently contain an analysis of equity across the community. The Council's strategy to deliver Gershon targets has been successful and targets have been exceeded. It is extending its procurement through partners and the joint working with the PCT aims to deliver improved VFM.

Herefordshire Connects

- 68** The success of the Herefordshire Connects project is vital to the delivery of the Council's medium term financial strategy.
- 69** In July 2007 we carried out an in depth review of the programme. While this highlighted strengths in terms of project and risk management arrangements, it also emphasised the need for more clarity in how the project would deal with new joint working arrangements with the PCT and highlighted the short timescale for the successful implementation of the business-critical social care system. We further recommended that Members should re-focus and clarify the purpose, outcomes and actions of Herefordshire Connects. Formally considering in a short paper what other options were still open to the Council including the costs, benefits and risks of each option and how the programme fitted with the new joint working arrangements with the PCT. With the exception of the Social Care element, the project was put on hold while issues of affordability and priority were resolved.

Use of resources

- 70** Good progress has since been made with these recommendations. An option appraisal was carried out with Deloitte, as the Council's strategic partners for Connects, to ensure that the vision for Herefordshire Connects was fit for purpose, update the business cases to take account of current and future needs and identify those benefits already achieved and ensure that governance arrangements were robust and appropriate. As a result three strategic service improvement programmes, led by the responsible Joint Management Team members and supported by the Connects Programme have been created:
- Integrated Customer Services Business Case;
 - Integrated Support Services Business Case; and
 - Performance Management and Risk Management Business Case.
- 71** The individual programme boards include joint appointees and PCT directors and relevant reports will go to the PCT Boards as well as Cabinet which will help to ensure more effective joint working.
- 72** It was agreed to rationalise the number of ICT applications and carry out evaluations of the available options. Following sound evaluation processes, the Council has now selected solutions for Environment and Planning, Integrated Support Services and Performance Management and Risk Management and plans are in place to deliver these.
- 73** The Social Care element of the programme, based on the implementation of Core Logic, was delivered successfully, on time and on budget, in November 2008. It has been well received in the relevant directorates and should help drive service improvement.
- 74** The key issues for the Council are to ensure that processes are put in place to drive out the expected benefits, including financial savings, and that the relationship with Council's strategic partners is managed effectively.

Safer Roads Partnership

- 75** The Safer Roads Partnership in West Mercia (SRP) was launched on 1 April 2007 with the aim of reducing road casualties across the region. Herefordshire Council is a core partner. The Partnership builds on the earlier successful work of the Safety Camera Partnership in West Mercia. The Partnership, to its credit, invited us to take an overview of the Partnership's approach to issues raised and the improvement framework in the Audit Commission publication 'Changing lanes'. Our review in April 2008 considered:
- the strategy and governance of the Partnership;
 - how actions are identified and projects developed;
 - whether the right data is being analysed in the right way;
 - the effectiveness of the Partnership's engagement with the community;
 - how performance is managed in the Partnership; and
 - how value for money is managed and assessed

- 76** At the time of the review, partners in the SRP were committed to working together to improve road safety in the area. The transition from the earlier successful safety camera partnership had been slow and was still incomplete. The Partnership did not fully use the information available to identify the best approach to improving road safety. However the number of people killed or seriously injured on Herefordshire roads in 2008 was the lowest recorded.
- 77** The majority of the Partnership's work was enforcement activity although it was increasing its awareness raising work. Police data was used effectively to identify activity but the opportunity to use data held by other partners had not yet been explored. There was some good joint working on individual publicity campaigns and the communication sub-group was looking at ways to expand this activity. The SRP did not make use of partners' existing links to engage effectively with the community to both inform its work and communicate its messages.
- 78** Performance management was limited by the lack of a clear strategy. The Partnership monitored the contribution of safety cameras to road safety targets and assessed the costs of these against the savings from reducing accidents. However it did not assess whether the activity is delivering the best value for money from the resources committed.
- 79** The Partnership Board is reviewing progress against the detailed recommendations in our report at its March 2009 meeting. The Authority should ask the SRP to update it on progress made against the action plan.

Waste Disposal

- 80** The Council is seeking with its partner Worcestershire County Council to vary its PFI contract for waste management which will allow both parties to meet national targets for recycling and reductions in landfill tonnages and specifically reducing the amount of biodegradable municipal waste (BMW) which ends up in landfill sites.
- 81** The Government has set councils exacting targets for recycling which are above those agreed for the current contract. Targets for reducing landfill have also been set. The driver for achieving these targets is landfill tax, which is set to increase year on year providing an incentive for councils to divert waste from landfill. The consequence of not reducing landfill tonnages will be increased costs and increasing pressure on the medium term financial strategy.
- 82** Targets for the amount of BMW which can be landfilled first impact in 2010 when BMW going to landfill needs to fall to 75 per cent of that produced in 1995 and subsequent targets become increasingly hard to meet. Failure to meet such targets could result in significant extra costs.
- 83** The waste management contract is currently awaiting the provision of a waste treatment facility. Whilst the contract remains in 'standstill' and does not have a waste treatment facility the Council has to make short-term decisions to reduce its financial exposure to failure to meet its BMW targets. The financial impact of these decisions is likely, in the long term, to be higher than the provision of a waste treatment facility. Therefore the Council needs to be aware of the financial implications of delay.

Use of resources

- 84** Until the discussions with the contractor are finally concluded, there remains a risk that the contract could terminate. Contract termination could have a significant impact on the financial standing of the councils, because termination clauses in the contract require the council to make severance payments eg shareholder equity in exchange for bringing waste management assets and facilities back in-house. In such a situation the councils are also likely to have to enter into a new contract in order to achieve the objectives of the Waste Management Strategy. Re-procurement costs are likely to be significant and the councils would be unlikely to secure the level of government PFI funding that was made available for the existing contract.

Other performance work

- 85** We will shortly be finalising our review of Adult Social Care which was included in the 2007/08 audit plan. This timing of this work was changed at the request of the Council to better fit with the Council's own work in this area.

Looking ahead

- 86** The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 87** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 88** The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspect of each area's Local Area Agreement.

Closing remarks

- 89** We have discussed and agreed this letter with the Chief Executive and Director of Resources. We will present the letter at the Audit and Governance Committee in March 2009 and I will provide copies to all Authority members.
- 90** Further detailed findings, conclusions and recommendations on the areas covered by audit work are included in the reports issued to the Authority during the year.

Table 3 Reports issued

Report	Date of issue
Audit plan	March 2007
Report to those charged with governance	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Use of Resources	January 2009
Annual Audit and Inspection letter	February 2009

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- 91** The Authority has taken a very positive and constructive approach to all the audit and inspection work. I wish to thank officers for their excellent support and cooperation during my first year.

Mary-Ann Bruce

Comprehensive Area Assessment Lead

February 2009

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

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