

Annual Audit Letter

London Borough of Hackney

Audit 2008/09

December 2009



Contents

Key messages	3
Financial statements and annual governance statement	5
Value for money and use of resources	8
Closing remarks	14
Appendix 1 – Use of resources key findings and conclusions	15
Appendix 2 – Action plan	25

Status of our reports

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

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

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

Audit opinion

- 1 I gave an unqualified opinion on the Council's financial statements and Pension Fund on 1 October 2009.
 - 2 I am unable to conclude my audit and issue a certificate on the financial statements because there are outstanding matters from a local government elector relating to the 2007/08 financial statements.
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Financial statements

- 3 The main financial statements approved by the Audit Sub Committee in June and submitted for audit were complete in all major respects.
 - 4 A number of amendments were needed to the initial statements submitted for audit. These were detailed in my report to the Audit Sub Committee in September 2009. The overall impact of the amendments to the financial statements is summarised below.
 - The deficit for the year increased by £3.3 million to £107.6 million.
 - There was no change to the Council's General Fund or Housing Revenue Account balances.
 - The Collection Fund balance increased by £2.6 million to £6.6 million.
 - The Council's net worth increased by £31.6 million to £1,592 million.
 - 5 I had no significant matters to raise in respect of the Pension Fund financial statements.
 - 6 The audit of the Council's financial statements was completed on 1 October 2009. The Council's officers and auditors worked hard to conclude the necessary work and opportunities exist to continue working together to improve the process further for next year. This will be particularly important as the Council prepares to convert its accounts to reflect International Financial Reporting Standards (IFRS).
 - 7 We have discussed with officers how the process may be improved next year and have included detailed recommendations in our accounts memorandum, issued in November 2009.
-

Value for money

- 8 I am satisfied that the Council, having regard to the criteria specified by the Audit Commission, in all significant respects, made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009. I issued an unqualified value for money conclusion alongside my opinion on the financial statements.

Audit fees

- 9 Table 1 shows how our audit fee is split between the core areas of our work for 2008/09.

Table 1 **Audit fees**

	Actual (£000)	Proposed (£000)	Variance (£000)
Financial statements and annual governance statement	409	399	10
Value for money	145	145	0
Total audit fees	554	544	10
Pension fund	38	38	0
Non-audit work	0	0	0
Total	592	582	10

Variance in the financial statements fee was caused by the additional work and time needed in respect of addressing fixed asset issues.

Actions

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

Independence

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

Financial statements and annual governance statement

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

Significant issues arising from the audit

- 12** A number of amendments have been needed to the initial statements submitted for audit. The more significant amendments are summarised below.
- Revising the fixed asset impairment following decision to revisit assumptions and indices used to assess the impairment needed for investment properties (impairment increased by £5,034,000); surplus assets (impairment decreased by £10,535,000); and other land and buildings (impairment decreased by £26,037,000).
 - Increase in the write down of intangible fixed assets to reflect the carrying value better (£4,171,000).
 - Bad debt provision over stated for National Non Domestic Rate because incorrect debt figure used - £3,769,000.
 - Bad debt provision over stated for Council Tax £3,404,000.
 - We recommended a number of disclosure amendments to the financial statements including:
 - Note 4 - long term contracts: two contracts under stated - value £5,666,000; one contract over stated - value £2,970,000;
 - Note 18 - commitments under capital contracts: three omitted - value £39,720,000; four under stated - value £3,845,000; and
 - Note 28 - Analysis of investments and borrowing by category: borrowings disclosed as at fair value, but should be amortised cost - value £14,512,000).
- 13** There was one matter (consisting of two points) that the Council did not agree to amend. The amount involved was above our trivial threshold and so we required the Audit Sub Committee to agree to this treatment in writing (as part of the letter of representation). The issue was that:
- the dilapidation provision for Keltan House did not meet the requirements of FRS12 as no decisions had been made about the future use of the building and the lease still had 60 years remaining; and for 298 Mare Street the dilapidation provision appeared to be over stated (total amount is £374,000).

Material weaknesses in internal control

14 I did not identify any material weaknesses in your internal control arrangements.

Accounting Practice and financial reporting

15 I considered the qualitative aspects of your financial reporting. Overall I was satisfied with the quality of the financial statements presented for audit. I have commented earlier on specific issues highlighted during my audit. I also highlighted three issues (see Table 2) together with a recommendation to improve supporting evidence for these issues in my report to the September 2009 Audit Sub Committee.

Table 2

Issue or risk	Finding
The Council uses the Major Repairs Allowance (MRA) as an approximation for depreciation of Council Dwellings. Whilst this is allowed by the Statement of Recommended Practice (the SORP) it requires enough supporting evidence to show that there is not a material difference between the two figures.	The Council has provided a high level calculation to show this for 2008/09. However, our view is that the evidence to support this should be strengthened for future years to enable the Council to determine whether to continue to follow this approach.
The Council has updated/amended accounting policies in relation to assessing the extent to which debts are collectable (policy number 4); and assessing whether capital expenditure on fixed assets does not increase the value of the asset (policy number 12 - measurement).	The Council needs to improve the quality of evidence to support the assessment of whether debts are collectable; and whether capital expenditure has increased the value of the fixed asset, particularly in relation to 'other land and buildings'.
We have encountered a number of issues in the supporting evidence for the reconciliation of the Academy (Council Tax/Non-Domestic Rates and Benefits) and Cedar (general ledger) systems.	The Council needs to improve the audit trail to support the reconciliation of these two systems.

Recommendations (from Annual Governance Report)

R1 Managing and accounting for fixed assets is a particularly complex area that will be affected significantly by the introduction of IFRS. Consequently, the Council needs to intensify its efforts and further improve its arrangements and approach in this area.

- R2** The Council should improve the supporting evidence for the following.
- Whether the MRA is an approximation for depreciation of Council Dwellings.
 - How collectable debts are.
 - Whether capital expenditure has increased the value of fixed assets.
 - Reconciliation of the Academy (Council Tax/Non-Domestic Rates and Benefits) and Cedar (general ledger) systems.

Value for money and use of resources

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

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

Use of resources judgements

- 16 From 2008/09, our 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.
- 17 In seeking to foster continuous improvement the Audit Commission introduced a more rigorous and broader based methodology for assessing a body's use of resources in 2008/09. The three themes are informed by nine detailed key lines of enquiry (KLOE) and the assessment criteria are more stringent than previously, with a focus on outcomes for the local communities rather than internal processes. Members should take this into account when considering relative performance between 2008/09 and previous years.
- 18 In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each KLOE using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2. 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 in the same way, and to the same standards.
- 19 I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 20 The Council's use of resources theme scores are shown in Table 3 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 1.

Value for money and use of resources

Table 3 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances How effectively does the organisation manage its finances to deliver value for money?	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?	3
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?	2
Overall	3

Managing finances

- 21** The Council has a strong track record of increasing efficiency and delivering to budget. Other notable achievements include:
- the Council winning the Local Government Chronicle's 2009 most improved Council award;
 - the Local Strategic Partnership (LSP) being highly commended at the same event;
 - the Council's website has been assessed as 'transactional' (top rating from an independent IT professional body); and
 - an award winning e-panel helps review services.
- 22** The Council understands costs/activity and it has achieved one of the highest levels of Gershon savings. Benchmarking is used well, to underpin the Best Use of Resources programme of service reviews and to target areas for further efficiency savings. Whole life costing models are used for all major investment decisions eg Private Finance Initiative (PFI) and Building Schools for the Future (BSF).
- 23** Decision making processes make good use of cost and performance information including satisfaction data and user input. The Council reviews VFM robustly; with active engagement and robust challenge from Cabinet/Members. MORI data shows that residents think the Council is getting better. The Council has strong and impressive partnership working and there is positive engagement with the business community.

- 24 The Council's Performance Indicators show one of the highest rates of service improvement nationally. Achievement of planned efficiencies also compares very favourably with other councils (saving £12m a year for six years and a four year freeze on Council Tax).
- 25 Effective forecast information includes trend analysis and out-turn impact. Financial information systems allow access to budget holders to enable them to manage and control performance and spend effectively.
- 26 There is a strong commitment corporately to produce good quality accounts and supporting documentation. Key issues from our 2008/09 audit of the financial statements have been highlighted elsewhere in this Letter.
- 27 The Council addresses diversity and equality issues in its reporting. It meets level 3 of the equalities standard.

Governing the business

- 28 Commissioning arrangements are excellent and the Council has achieved beacon status for its strategic commissioning. This enables the Council and its partners to deliver sustainable outcomes tailored to local needs. Joint strategic needs assessment and customer segmentation analysis informs service developments. We found evidence that there was strong local leadership; good partnership working; and engaged communities. Positive results include reduced infant mortality; teenage pregnancy; improved crime statistics; and satisfaction with services. The procurement strategy is clear and accessible and significant procurement savings have been achieved.
- 29 Decision making is supported by relevant, reliable data with quantified improvements. The approach to data quality is robust and includes partners. There are no reported breaches in terms of data security. The Council understands the needs of decision makers and provides good information to help them. The strategic commissioning framework is an excellent example of using customer feedback.
- 30 Performance management is effective and there is robust scrutiny of data and information. Corporate targets for managing performance, including partnerships, are clearly aligned with strategic objectives and priorities. The Council delivered significant improvement in priority areas at a greater pace than nationally.
- 31 The Council's purpose and vision is clear. Also the community strategy is widely available and there is good stakeholder engagement. The Standards Committee has assessed itself as meeting national requirements, and has reported successes in training new Members and raising its profile. Members' interest information is public. Whistle blowing is well established, widely communicated and is applied to contractors.

Value for money and use of resources

- 32** The Council has a range of tools to help deliver effective governance including: a Partnership Code of Practice; a register of significant partnerships; an assurance framework; performance management arrangements. There is a comprehensive approach to risk management including risk champions; partner risks; and regular reporting to Members. Internal audit work is appropriate, risk based and proportionate. There is zero tolerance of fraud and the Council has examples of (and publicises where appropriate) successful prosecutions, dismissals and recovery of money.

Managing resources

- 33** The Council is developing a strategy to reduce its use of natural resources and its impact on the environment. Baseline information for natural resources use has been gathered, improving understanding of where use can be reduced. The Council's draft climate change strategy has been shared with the LSP. Local people were asked about their understanding of environmental sustainability and an action plan is being developed in response.
- 34** The Council has delivered some initiatives eg reducing its carbon load by 44 tonnes in civic buildings and electricity consumption by 2.5 per cent. It has a network of green champions who encourage colleagues to recycle, reduce and re-use. There are plans to improve energy usage at London Fields Lido. The Clissold Leisure Centre re-build reduced power consumption, chlorine and water usage. Hackney won a top prize at the Transport for London Sustainable Transport Awards with praise for innovation and commitment. It also achieved the London Green Procurement Code Silver Status award for its sustainable procurement practices. Contracts include environmental sustainability criteria but this could be more explicit.
- 35** There is a comprehensive asset management plan (AMP) with strong links to the Medium Term Financial Strategy (MTFS) and sustainable community plan. Gaps in longer term objectives are identified but the AMP only includes prioritised projects that fit within the available capital budget.
- 36** Asset base information is recorded and information includes details of size, use, value, tenure and an assessment of the asset's fitness for purpose. The AMP includes performance indicators for asset management but the Council needs to demonstrate how benchmarking has been used for asset planning. Capital investment supports the delivery of corporate priorities. The process for including projects within the capital programme follows a rigorous appraisal.
- 37** There is a strategic approach to working with others on asset management. The Council uses alternative models of ownership and management of assets to provide services eg PFI; BSF; and Academy schools.

Recommendations	
R3	The Council needs to ensure that it can demonstrate that its strategy and related action plans to reduce its use of natural resources and improve environmental sustainability is delivering strong and effective performance and achievements.
R4	Environmental sustainability criteria should be made more explicit in contracts.
R5	The Council should evidence how benchmarking is used for asset management and demonstrate effective performance compared with other organisations.

VFM conclusion

- 38** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission, which align with the use of resources KLOE. Should a body be assessed as not achieving minimum standards in any relevant criteria, then the VFM conclusion would be qualified in this respect.
- 39** Hackney were assessed as performing well or adequately in each criteria and I was therefore able to issue an unqualified VFM conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. My conclusions on each of the areas are set out in Appendix 1.

Local risk work

- 40** In addition to my work on use of resources and to support the value for money conclusion I also reviewed Hackney's arrangements for dealing with ICT related business risks through a staff survey. The main conclusions from this work are summarised in the paragraphs below.
- 41** The Audit Commission's report on ICT Fraud and Abuse, published in June 2005, concluded that ICT security is only as effective as the staff within an organisation. It found that while organisations had improved their ICT governance arrangements, a failure to provide robust guidance and statements about responsibilities was rendering some of these improvements ineffective.
- 42** Your Business at Risk (YB@R) is an Audit Commission web-based survey that helps public sector organisations to focus on the business risks associated with ICT such as major business disruption, reputational damage, financial loss and the erosion of user confidence in ICT. The survey is part of a portfolio of governance tools developed by the Audit Commission's Good Conduct and Counter Fraud Network. The Graham Committee report on the 'Standards of Conduct in Public Life' endorsed these tools and recommended that they be used throughout the whole of the public sector.
- 43** In total 135 staff members completed the survey. This relatively small number was a disappointing result, and even this required assistance in the form of reminders from senior officers.

Value for money and use of resources

- 44 The results of the survey suggest that employee perceptions of ICT controls within the Council are generally in line with national averages. There are a number of areas where the Council should strengthen controls and increase awareness of relevant controls amongst staff. These were highlighted in our detailed report considered by the Audit Sub Committee earlier in 2009.

Closing remarks

- 45 I have discussed and agreed this letter with the Chief Executive and the Corporate Director of Finance and Resources. I will present this letter at the Audit Sub Committee on 6 January 2010 and will provide copies to all Members.
- 46 Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Table 4

Report	Date issued
Supplementary Opinion Plan	April 2009
Your business at risk	May 2009
Annual Governance Report	September 2009
Opinion and Value for Money Conclusion	October 2009
Use of Resources Report	November 2009
Accounts memorandum	November 2009

- 47 The Council has taken a positive and constructive approach to our audit. I wish to thank the Council's staff for their support and co-operation during the audit.

P Johnstone
District Auditor
December 2009

Appendix 1 – Use of resources key findings and conclusions

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

Theme 1: Managing finances

Financial planning	3
<p>The MTFS is now considered to be embedded and the Council has a good track record of setting a balanced budget which is well monitored and enables service plans and delivery to be achieved (for both revenue and capital). We reported very strong improvements in performance indicator performance in the March 2009 Direction of Travel report (based on 2007/08 comparative performance data) and this has continued into 2008/09 both in terms of Local Area Agreement (LAA) indicators and improving levels of residents' satisfaction (21/25 showed improvement). The Council has also worked with partners to achieve procurement efficiencies (£2.3m delivered in partner organisations). A key strategy for the Council is not to build investment income into base budgets - this income is used to fund capital and one-off projects/investments in services. The recent Care Quality Commission inspection for safeguarding adults is very positive (Good service/excellent prospects for improvement) and refers to clear examples of how the Council has identified priorities and is delivering improvements (including with partners). The Council has also used LAA targets to help prioritise and invest in services and help deliver improvements. Together with partners the Council has used the process to inform commissioning for the 35 key targets and ensure the Area Based Grant is used effectively and matched to them where necessary.</p> <p>The Council has also shown how it uses performance and financial information regularly to inform and challenge its 'Resourcing our Priorities' (ROP) approach and delivery (including highlighting under-performance and the formulation and monitoring of action plans to address) as well as looking forward to assess any impact for changes to the priorities that might be appropriate.</p>	

Team Hackney (the LSP in Hackney) was highly commended at the LGC 2009 awards. The Council has been awarded beacon status for its strategic commissioning. The Council's website has also been awarded the highest 'transactional' status in the annual SOCITM better connected survey. An e-panel has also been set up and awards the best use of e-media by CIPR. The results of the first survey were used to revise the Council's approach to street cleaning. The Government Office for London has also commented that the Council has strong and impressive partnership working; and a strong and active third sector. There is also evidence of positive engagement with the business community and the Mayor is in the fourth year of his annual business awards (with nine categories of awards).

Understanding costs and achieving efficiencies)

3

Hackney continues to increase the efficiency of its services and has a strong track record for this. The Council clearly understands its costs and activity as well as the factors that influence these such as the level of deprivation in Hackney. Costs are analysed through robust annual planning, the RoP process and 'Best Use of Resources' programme (BUoR). Consequently, the Council has achieved one of the highest levels of Gershon savings nationally (is on target/has plans to continue this in future years). The Council was also assessed as 'improving strongly' in terms of the outcomes it has delivered for local people in our 'Direction of Travel' assessment in March 2009. Furthermore, the Council was recognised by the LGC in 2009, winning an award for being the most improved council based upon the extent of its service improvements.

Costs are tracked monthly both at strategic and operation levels; Hackney has one of the strongest balance sheets in London. Benchmarking data is widely used across the Council; notably CIPFA benchmarking data. This underpins the BUoR programme of service reviews and is used to target areas for further efficiency savings. Whole life costing models are used for all major investment decisions - examples include the BSF initiative and the 'Service First' programme. Resources at the disposal of significant partnerships are clearly understood as a consequence of the Council's strong leadership role in the LSP, and the strategic commissioning framework is a key enabler for this.

Decision making processes and commissioning arrangements are excellent and make good use of available cost and performance information – there are a number of examples of where the Council, in conjunction with its partners, has disinvested in initiatives or programmes that are not delivering as planned (youth and family services as well as worklessness initiatives). This is strengthened further by the inclusion of satisfaction data and user input. The Council has established a robust process for monitoring and reviewing value for money; this is well managed by senior officers with buy-in and active engagement from the Mayor, Portfolio Holders and Members. The level of data available enables those charged with governance to provide robust challenge of the Council's progress on behalf of local people. MORI data highlights that Hackney residents think the Council is getting better than elsewhere in London.

Appendix 1 – Use of resources key findings and conclusions

The scope for making further efficiencies is clear and the Council is on track to achieve current planned efficiencies. A mayoral priority is that services deliver value for money and that high cost services deliver high quality outputs. Performance indicators for the last year show one of the highest rates of service improvement in London (as well as nationally). Such increases in service performance have been achieved alongside the attainment of significant efficiency savings. The Council's efficiency programme has been in place for six years delivering up to £12m annually; this has been a key resource enabling the Council to deliver a four year freeze on council tax. The efficiency programme is underpinned by specific reviews that are managed by the BUoR Board. Service reviews target high cost areas or those requiring transformation due to either increased demand or falls in income. Examples of this are revenues, benefits and waste management services each of which have seen a gradual reduction in unit costs alongside notable improvement in performance.

Financial reporting

2

The Council reviews its budget and reporting cycle regularly to ensure it remains appropriate. There is a clear emphasis on performance outcomes and efficiencies whilst ensuring the budget is monitored and managed. Effective forecast information is produced within Directorates and analysing trends and projecting impact on out-turn. Budget managers are managing and controlling performance and spending.

Financial information systems are accessible to budget holders allowing access to monitoring and financial information; and profiled budget monitoring. Financial information is available to budget holders within 3-5 working days from the close of the reporting period. Payroll and purchase order commitments can be viewed through the month. The Council also has flexible reporting tools.

There is a strong commitment corporately, particularly from the Audit Sub Committee and the Corporate Director of Finance and Resources to produce good quality accounts and supporting documentation. Key issues from our 2008/09 audit of the financial statements have been highlighted elsewhere in this Letter. The Council has identified the key issues relating to the introduction of IFRS and is putting plans in place to address them.

The Council has provided evidence about how it addresses diversity and equality issues in its reporting including level 3 equalities standard and beacon status for the strategic commissioning of services designed to address diversity/ specific targeted communities.

Theme 2: Governing the business

Commissioning and procurement	3
<p>The Council commissions services and supplies that are effectively tailored to local needs. Its vision is clear. Commissioning plans are excellent examples of an understanding of local need because they are based on needs assessments as well as satisfaction figures and direct user involvement. The Council has developed a joint strategic needs assessment in addition to customer segmentation analysis. This builds upon discrete, service specific needs assessments (eg housing) and effectively informs service development to address inequalities.</p> <p>Commissioning arrangements in Hackney have been developed with the LSP and are strong. Innovative arrangements for strategic commissioning enable the Council, along with partners, to effectively deliver sustainable outcomes. This has transformed services by providing a clear, transparent link between vision and outcomes. It effectively provides and enables strong local leadership, inclusive partnership working as well as engaged, empowered communities through actively involving the voluntary sector. Service users are involved at each stage of the commissioning cycle: assessing needs, establishing priorities, designing services, and reviewing performance. The framework is routinely used by all partners and has resulted in reductions in infant mortality and teenage pregnancy rates in addition to improved crime statistics and levels of satisfaction with services. Government inspectors consider this to be an ‘excellent’ example of effective commissioning.</p> <p>The transformation of public services in recent years has been very good. Steps have been taken to redesign services for improved customer outcomes and VFM - there are examples of where the Council has disinvested from projects not delivering as planned. Service redesign examples include changes in social care service delivery models to enable greater flexibility in meeting the needs of children and families (as well as cost reductions). The ICT Strategy effectively illustrates how technology is and will continue to be used to modernise the borough, improving customer services and increasing efficiencies; the ‘Public Sector Promise’ is a project that exemplifies this.</p> <p>There are clear, accessible explanations of the Council’s procurement strategy and community strategy on the Council's website - external consultants have assessed this as ‘excellent’. Officers work with other boroughs to ensure that market knowledge is up-to-date and information is shared. The Procurement Centre provides briefings and regular events for local businesses such as ‘Meet the Buyer’. Consequently, the Council can demonstrate proactive performance in this area.</p>	

Appendix 1 – Use of resources key findings and conclusions

Commissioning and procurement	3
<p>The Council has achieved significant procurement savings from goods and services. All commissioning is conducted in accordance with regulations and is subject to a robust review process including challenge of options appraisals. Local partners and providers are actively encouraged to respond to tender specifications whilst commissioning/procurement decisions take use whole life costing and assess long term sustainability. The impact of procurement decisions is regularly evaluated. Robust processes are in place to assess how effectively services are being provided whilst steady progress is being made with e-procurement.</p>	
Data quality and use of information	3
<p>MORI survey results show that more people in Hackney think the Council is getting better when compared with the results of similar surveys elsewhere in London. This suggests that decision making processes are effectively supported by relevant and reliable data because they are resulting in quantifiable improvements. The Council has a robust, risk based framework to oversee data quality that assesses data integrity throughout the year. Data quality audits are also undertaken by internal audit as part of a rolling, risk assessed programme. The Council has effective validation procedures in place which has ensured a good track record of data quality with no known issues. There is a partnership agreement for providing and reporting performance information and standards are contained within contracts with external partners to ensure data shared is reliable and fit for purpose. For example, the Council produces reliable and timely responses to safeguarding data.</p> <p>The Council performs well against data security related national performance averages. Notably, 96 per cent of staff change their password on a regular basis, compared with 87 per cent nationally. The Council scored well in their 'your business at risk' assessment in terms of the risk to business disruption; all new systems comply with Council security policies whilst a full range of up-to-date policies are published on the intranet. Security policies are based on relevant standards including ISO17799 and ISO27001. There are no known weaknesses in data security and there have been no reported breaches in 2008/09.</p> <p>The Council understands the needs of its decision makers and provides them with information that is fit-for-purpose. The Council effectively consults with staff and other stakeholders to assess the extent to which their needs are met - employees increasingly believe the Council's information compared to staff surveyed at similar organisations. The Council also has a customer care feedback loop. The 71 per cent level of satisfaction result from local people being satisfied with Hackney as a place to live may suggest that they feel their feedback is acted upon (the Council's LGC award for most improved Council in 2009 also reflects this).</p>	

Data quality and use of information	3
<p>The strategic commissioning framework is another excellent example of the Council’s use of customer feedback; service users are involved at each stage of the commissioning cycle from assessing needs, establishing priorities, designing services, and reviewing performance. The Council holds detailed information on diversity and equality issues and uses this to effectively inform decisions and assess impact; this is collected, collated and disseminated by the policy and research team.</p> <p>Performance management within the Council is strong; directorate Management Teams review performance regularly taking actions to address performance and quality issues where these exist. Scrutiny of data and information is robust and the data sign off process has been strengthened further during 2008/09. There are corporate targets (financial and non financial) for managing performance, including partnerships, which are clearly aligned with strategic objectives and priorities. Directorates work closely with the corporate performance team and quarterly performance meetings are attended by the Mayor as well as service directors and lead members. In addition to regular performance reports; members and senior officers regularly review the overall financial position, risk registers, and customer insight and survey data. Key performance indicators are identified as part of the service planning processes and reported quarterly as part of the quarterly strategic reviews to Members. As a result of this, the Council delivered significant improvement in priority areas such as community safety, children and young people and adult social care in 2008/09. The pace of improvement was higher than the national average and overall resident satisfaction also improved.</p>	
Good governance	2
<p>The Council's constitution sets out the responsibilities of the Council, committees and individual Members and is available on Hackney’s web site. This is usefully summarised in two organisational charts. The Standards Committee is responsible for training councillors and for ensuring the ethical framework is maintained. Training has been provided for Members and Officers on their responsibilities and there is continuing training to ensure all are kept abreast of new requirements. Training is provided in a variety of ways via 1:1s tailored courses and external training.</p> <p>Hackney’s purpose and vision is clearly set out in the Community strategy which is widely available. The Council engaged with stakeholders in preparing this strategy.</p> <p>There is an excellent working relationship between the Mayor and the Chief Executive and between portfolio Cabinet Members and Directors and other senior officers.</p>	

Appendix 1 – Use of resources key findings and conclusions

Good governance	2
<p>Hackney's ethical framework is set out in the Council's code of governance (available on the website). The Standards Committee has self assessed itself in a report for the Standard Board of England. It has answered positively to all the questions and has reported successes in training and in raising the profile of the work of the Committee. The Council maintains the register of interest on the website. Whistle blowing is well established and has been widely communicated including with contractors.</p> <p>A Partnership Code of Practice was adopted in 2008 and a register of significant partnerships is maintained, reviewed and updated in line with this. Key partnerships' governance arrangements are documented and include the legal status, accountabilities, decision making processes and roles and responsibilities of the partnership. The Council's governance arrangements and underlying procedures are effective in managing the information and structures required to support partnership governance. The Council's plans now include the implementation of risk management for the Sustainable Communities Strategy, to further aid information flow.</p>	
Risk management and internal control	2
<p>The Council manages risk corporately with the Audit Sub Committee acting as the responsible committee. Risk champions are in each Directorate and the Council adopts a bottom up and top down approach to compiling the corporate risk register. Partner risks are also assessed and included and training is being provided particularly for this area. The register is regularly reported to Members.</p> <p>The Council's counter fraud and corruption strategy (last updated in 2007) is currently being updated. The Audit Sub Committee is responsible for monitoring fraud related issues and internal audit provide coverage. The work is risk based and proportionate and there is a large pro-active budget. Staff are suitably qualified and training is provided where necessary. The Council has a zero tolerance policy of fraud and has reported successes with prosecutions, dismissals of staff and recovery of money.</p> <p>The Council has an audit committee, effective internal audit arrangements and a sound assurance framework. Standing orders and standing financial instructions and a scheme of delegation are part of the constitution and the scheme of delegation is approved annually. The Council has satisfactory arrangements in place for compliance with laws and regulations. Internal audit have given positive assurance for the Council's major financial systems for 2008/09.</p>	

Theme 3: Managing resources

Use of natural resources	2
<p>The Council is developing a strategy to reduce its own use of natural resources and its impact on the environment although it does not yet have a corporate responsibility strategy. It has used consultants to gather baseline information for the natural resources it uses and now better understands where it can most effectively intervene to reduce its use of natural resources. Externally facing, the Sustainable Community Strategy is framed within the context of an increasing population in future years. The Council’s draft climate change strategy has been shared with the LSP. The Council is planning to more consistently manage the environmental risks it faces and has plans to work with partners more proactively to achieve this. Local people were also polled in 2008 to assess their understanding of environmental sustainability; an action plan is being developed in response to this that will see the implementation of targeted actions. This reflects that this area is progressing but can not yet demonstrate continued, widespread impact.</p> <p>The Council has identified and delivered some initiatives to support it in addressing climate change and environmental sustainability. The Council reduced its carbon load by 44 tonnes in civic buildings last year and its average electricity kilowatt consumption by 2.5 per cent. There have been a wide range of activities to reduce carbon emissions including several examples of more energy efficient heating systems being installed and of energy saving practices being embedded in everyday working. Recycling opportunities are being followed whilst Council staff are becoming increasingly conscious of finding ways to reduce their carbon footprint. The Council has a network of green champions who encourage colleagues to recycle, reduce and re-use as much as possible. The Council also commissioned an energy management survey at London Fields Lido which was undertaken by Economic Energy and funded by the Carbon Trust; an action plan has been developed to embed the recommendations arising from this survey. Measures undertaken as part of the Clissold Leisure Centre re-build also reduced power consumption, reduced chlorine usage and reduced water usage. Hackney won a top prize at the Transport for London Sustainable Transport Awards and was praised for innovation and commitment in this area. It also received the London Green Procurement Code Silver Status award for its sustainable procurement practices.</p>	

Appendix 1 – Use of resources key findings and conclusions

Strategic asset management	2
<p>The Council is looking to make the delivery of services more socially, economically and environmentally sustainable. Contracts include environmental sustainability criteria although it is acknowledged that this could be more explicit. It is establishing systems and processes to manage performance and has plans to develop a project management office to deliver its climate change strategy. However, the Council's strategy must be supported by delivery plans that address energy and water efficiency, optimise the use of renewable resources and encourage biodiversity. Other corporate plans within the Council, such as financial or HR plans should support the delivery of the strategy.</p> <p>The Council has a comprehensive corporate asset management plan (AMP). The links to other strategies and plans are demonstrated in a diagram and referred to in many places in the text. There are strong links to the MTFs and the sustainable community plan. Gaps in longer term objectives are identified but the two yearly plan includes prioritised projects only within the capital budget which is available. The Council has well set out policies and decision making structures for asset management which include Members, senior officers, and partners. There is a focus on using the asset base to help deliver sustainable social, environmental outcomes this is seen in the Hackney Homes environmental sustainability initiatives.</p> <p>The Council's information on its asset base is recorded in three main places, the asset register, the database and the terrier. Information includes, the size, use, value, tenure and an assessment of the fitness for purpose of the asset. The Council is a member of the CIPFA IPF asset management group. The AMP includes performance indicators for asset management however, the Council needs to demonstrate how benchmarking has been used for asset planning. Benchmarking of assets requires development. Capital investment supports the delivery of corporate priorities and the processes for including projects within the capital programme follow a rigorous procedure with option appraisal and whole life appraisal techniques. The Council has consulted users and communities on various aspects of its asset base for example regeneration where consultation has been fed back into plans and working with private and public sector partners.</p> <p>The Council has developed a strategic approach to working with others, this is through the third sector compact, the public sector promise and the voluntary sector lettings policy. Where the Council works with key partner organisations for service delivery it is also working with these bodies jointly on asset management. The Council has used alternative models of ownership and management of assets to provide services. This is demonstrated via its PFI schemes; the BSF initiative; and Academy schools. There are currently no indicators of working which extends beyond joint working on individual building projects.</p>	

Appendix 1 – Use of resources key findings and conclusions

Workforce planning - not applicable to London Boroughs in 2008/09	Not scored
This KLOE will be assessed for the first time in 2009/10.	

Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Audit Letter 2008/09 Recommendations						
6 (R1)	Managing and accounting for fixed assets is a particularly complex area that will be affected significantly by the introduction of IFRS. Consequently, the Council needs to intensify its efforts and further improve its arrangements and approach in this area.	3				
7 (R2)	The Council should improve the supporting evidence for the following. <ul style="list-style-type: none"> • Whether the MRA is an approximation for depreciation of Council Dwellings. • How collectable debts are. • Whether capital expenditure has increased the value of fixed assets. • Reconciliation of the Academy and Cedar systems. 	3				

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
12 (R3)	The Council needs to ensure that it can demonstrate that its strategy and related action plans to reduces its use of natural resources and improve environmental sustainability is delivering strong and effective performance and achievements.	3				
12 (R4)	Environmental sustainability criteria should be made more explicit in contracts.	1				
12 (R5)	The Council should evidence how benchmarking is used for asset management and demonstrate effective performance compared with other organisations.	2				

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