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# Value for money

**I am required to decide whether the Council put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.**

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## Value for money conclusion

21 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have shown my conclusions on each of the areas in Appendix 5.

## Environmental Services Contract

22 Following representations from local government electors I have considered the Council's arrangements for the letting and signing of the environmental services contract, including the Council's own scrutiny report on the issue which was presented to the Scrutiny Panel - Resource and Development on 9th September. As a result I propose to qualify my conclusion in respect of 1 criterion - risk management and internal control. The proposed wording is included in Appendix 1.

23 My investigations did not conclude that there were any significant overall failures in the process for considering bids or in the standard of service received since the contract has been in place. I acknowledge that the Council was liaising with the new contractor in the lead up to the start of contract to ensure continuity of service on handover. The contract was let on the basis of a letter of intent, but this was not confirmed by the contractor until 3 months after the commencement of the contract. This meant that the performance bond was not in place for that period and the Council was at greater risk than it planned to be during this time. The letter of intent was eventually replaced by a sealed contract in February 2010.

24 Whilst it is good practice not to operate under a letter of intent for as long as the Council did in this case (11 months) there were mitigating circumstances as the Council sought to negotiate additional provisions in the contract, for example, to introduce food waste collection.

25 I also found that there was a lack of formal reporting to Members regarding the status of the contract whilst contract negotiations continued.

26 The Council should seek to avoid a similar situation in any future contract negotiations. I understand it intends to learn the lessons from its own review in this respect which I agree is a course of action it should undertake. More specifically I make two recommendations below.

## Accounting for receipts from the VAT Shelter

27 I cannot conclude my assessment of your arrangements for the financial reporting criterion until I have completed my consideration of the additional evidence provided in respect of VAT Shelter receipts.

- 28 If after considering the additional evidence I accept the view that in Harborough's case the VAT Shelter income can be treated as a revenue receipt I would not propose to further qualify my conclusion in respect of this.
- 29 Otherwise I would need to consider whether to further qualify my vfm conclusion. In this event I will report the draft wording to the committee at the proposed meeting on 14 October 2010.

**Recommendation**

**R5** Ensure any future unusual changes to planned contract negotiations on major contracts are formally reported to members explaining how any consequences are being risk managed

**R6** Ensure written confirmation of agreement to any future letter of intent is received before contract arrangements commence