

Use of Resources

Bromsgrove District Council

Audit 2007/08

DRAFT

Contents

Introduction	3
Use of resources judgements	5
Theme summaries	6
Conclusion	16

DRAFT

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.
-

Introduction

- 1 The Use of Resources assessment evaluates how well Bromsgrove District Council manages and uses its resources. This is the fourth assessment carried out at the Council and is the last under the Comprehensive Performance Assessment (CPA) framework. Next year there will be a new assessment which will form part of the Comprehensive Area Assessment (CAA). The Use of Resources assessment focuses on the importance of having strategic financial management, sound governance and effective financial reporting arrangements. These should support your Council in the achievement of its priorities and improving services, whilst delivering value for money.
- 2 This assessment relates to the financial year 2007/08 and is based on the key lines of enquiry for 2008. Changes to the criteria underpinning the key lines of enquiry were consulted on in April 2007 and the final key lines of enquiry were published in August 2007. These changes were made to:

 - reflect developments in professional guidance, legislative requirements and best practice; and
 - signal some of the changes proposed for the new use of resources under CAA and smooth the transition to CAA.
- 3 The overall use of resources assessment is made up of five themes. Judgements have been made for each theme using the Audit Commission's scale, see Table 1 below. This scale is used across its inspection and performance assessment frameworks.

Table 1 Standard scale used for assessments and inspections

1	Below minimum requirements – inadequate performance
2	Only at minimum requirements – adequate performance
3	Consistently above minimum requirements – performing well
4	Well above minimum requirements – performing strongly

- 4 In forming our assessment, we have used the methodology set out in the Use of Resources Guidance for 2008, which can be found on the Commission's web site. We have also taken account of the findings and conclusions from the previous years' assessment and updated these for any changes and improvements to the Council's arrangements.

- 5 The five theme scores for Bromsgrove District Council are outlined overleaf. These scores are subject to confirmation by our national quality control process. This seeks to ensure consistency across all suppliers and on a national basis. Consequently we are informing you that the scores reported here may change as a result of national quality control and should not be taken to be final. Following completion of national quality control, the Commission will notify you of your Council's overall score for use of resources and supporting the theme scores. This is scheduled for 8 December 2008.
- 6 This summary sets out our key findings in relation to each theme and areas for improvement have been identified in italics.

DRAFT

Use of resources judgements

Table 2 Summary of scores at theme and KLOE level

Key lines of enquiry (KLOEs)	Score 2008	Score 2007
OVERALL	2	2
Financial reporting	2	2
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	2	2
1.2 The Council promotes external accountability.	3	2
Financial management	2	2
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	2	2
2.2 The Council manages performance against budgets.	2	2
2.3 The Council manages its asset base.	2	2
Financial standing	2	2
3.1 The Council manages its spending within the available resources.	2	2
Internal control	3	2
4.1 The Council manages its significant business risks.	3	2
4.2 The Council has arrangements in place to maintain a sound system of internal control.	3	2
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	2	2
Value for money	2	1
5.1 The Council currently achieves good value for money.	2	1
5.2 The Council manages and improves value for money.	2	2

Theme summaries

- 7 The key findings and conclusions for each of the five themes are summarised in the following tables.

Financial reporting

<p>Theme score: we assessed the Council as 'adequate performance' (2) which is consistent with the previous year.</p>	
<p>Key findings and conclusions</p>	
<p>We have assessed the Council as achieving 'adequate performance' (2) overall.</p>	
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p>The accounts were prepared to meet statutory deadlines and the accounts opinion was unqualified.</p> <p>Working papers were in general good and requests for additional information were responded to promptly. <i>An area for improvement is in respect of working papers for capital entries.</i></p> <p>The statements presented for audit contained several errors which were amended for by the Council. Details of these have been reported in our Annual Governance Report which was presented to members of the Audit Board on the 29th September 2008.</p> <p>The accounts were subject to robust member scrutiny.</p> <p><i>The publication of an explanation of key financial information and technical terms would aid understanding by members of the public.</i></p>

Theme summaries

Theme score: we assessed the Council as 'adequate performance' (2) which is consistent with the previous year.

KLOE 1.2 The Council promotes external accountability.

The most recent published accounts, annual audit letter, agenda, reports and minutes for meetings of council, committees and scrutiny panels are made available to the public on the council's website in a timely manner and in accessible formats.

The Council considers a range of stakeholder views in the publication of its annual report using a Financial Group following a "Snap" survey and publishes summary financial information.

DRAFT

Financial management

Theme score: we assessed the Council as 'adequate performance' (2) which is consistent with the previous year.

Key findings and conclusions

The Council's corporate business plan is linked to its financial planning and management. The linkages in the Medium Term financial strategy to the corporate business plan will continue to be considered as part of the Use of Resources assessment.

Progress is being made in the maintenance of records of all of Council land and buildings that contains accurate data on its efficiency, effectiveness, asset value and running costs which can be used to support decision making on investment and disinvestment in property.

KLOE 2.1 The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.

The Council has a three year Medium Term Financial strategy (MTFS) which is updated annually through the budget setting process based on realistic assumptions. Equality impact assessments of its strategies are undertaken and there is an equality and diversity forum. Budgetary control was satisfactory as were arrangements for management of its physical assets.

Business planning is integrated with financial planning with the Corporate business plan driving the MTFS identifying key priorities and how these are to be achieved.

The linkages with other internal strategies and plans for example Human Resources and IT, and financial contingency plans together with the use of sensitivity analysis would improve the current business planning arrangements.

The development of operational activity indicators which are lead indicators of spend together with risk assessments of material items of revenue and capital would enhance the budget process.

Theme summaries

<p>Theme score: we assessed the Council as 'adequate performance' (2) which is consistent with the previous year.</p>	
	<p>The Financial management arrangements are adequate. <i>A regular review of these would ensure that there was adequate capacity to meet the Council's requirements.</i></p>
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>Budgets are approved, input onto the main accounting system and appropriately delegated. Budget holders receive appropriate guidance and support from Finance staff.</p> <p>The monitoring of financial information against budget is reported and subject to scrutiny by members.</p> <p>There are adequate financial information systems but these have limited flexible reporting facilities and to meet current needs require the use of spreadsheets outside of the main accounting system.</p> <p>Progress is being made in developing financial and performance reports and action plans to achieve planned savings and efficiency gains.</p> <p><i>The use of improved financial variance management systems would reduce departmental overspends.</i></p>
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>The council has a three year capital strategy linked to its corporate objectives and medium-term financial strategy.</p> <p>The council makes investment and disposal decisions based on thorough option appraisals and whole life costing.</p> <p><i>The embedding of the process of ensuring members' awareness of the level of backlog maintenance with an action plan should continue.</i></p>

Theme score: we assessed the Council as 'adequate performance' (2) which is consistent with the previous year.

Progress should continue to be made in the maintenance of records of all of its land and buildings that contains accurate data on its efficiency, effectiveness, asset value and running costs which can be used to support decision making on investment and disinvestment in property.

DRAFT

Financial standing

Theme score: we assessed the Council as 'adequate performance' (2) which is consistent with the previous year.

Key findings and conclusions

The council has set a balanced budget and maintains its overall spending within budget.

KLOE 3.1 The Council manages its spending within the available resources.

There is a policy on the level and nature of reserves and balances which is approved by members and reflected in the budget and medium-term financial strategy. Levels of reserves and balances are then monitored and maintained in accordance with this policy.

As the Council's circumstances change this policy should be updated to take into account current needs and risks.

The council keeps its treasury management strategy under review and monitors performance against it. The strategy reflects the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services.

Targets are set and performance monitored for all material categories of income collection and recovery of arrears, based on age profile of debt.

Progress should continue to be made in the evaluation of the effectiveness of recovery actions, associated costs and the cost of not recovering debt promptly for material categories of income.

Internal control

<p>Theme score: we assessed the Council as 'performing well' (3) which is an improvement on the previous year's assessment of 'adequate performance' (2).</p>	
<p>Key findings and conclusions</p>	
<p>Progress has continued to be made in improving internal control within the Council. The Council has in place a risk management process which continues to be embedded in business processes.</p>	
<p>KLOE 4.1 The Council manages its significant business risks.</p>	<p>The Council has adopted a risk management strategy which is subjected to an annual review and update. A register of corporate business risks is maintained and reviewed linked to strategic business plans assigned to individuals with supporting service business plans and registers.</p> <p>The registers are reviewed monthly by departmental management teams who have identified risk champions to support development. Reports are made quarterly to members.</p> <p>All committee reports include risk implications for consideration.</p> <p>Training is provided to staff and members.</p> <p><i>The embedding of risk management in business processes should continue to develop.</i></p>
<p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.</p>	<p>There are procedures notes/manuals in place for key financial systems and these are reviewed and updated when changes occur.</p> <p>The Council conducted an annual review of the effectiveness of its governance framework. The Annual Governance Statement for 2007-8 was considered and approved by the Audit Board on the 25th June 2008. The core functions of the Audit Board are laid down in its terms of reference and are in accordance with CIPFA guidelines.</p>

Theme summaries

<p>Theme score: we assessed the Council as 'performing well' (3) which is an improvement on the previous year's assessment of 'adequate performance' (2).</p>	
	<p>A Business Continuity plan is in place which is reviewed and tested.</p> <p>The Council operates an Internal Audit section which operates in accordance with the CIPFA Code of Practice. The operation of an effective internal audit section is a significant element of the Council's assurance framework.</p> <p><i>The council should ensure that the arrangements of internal audit are kept under review to maintain its contribution to the assurance framework.</i></p>
<p>KLOE 4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</p>	<p>There are in place the relevant codes of conduct for members and staff and there are the relevant systems in place to ensure these are complied with.</p> <p>There is a counter fraud and corruption policy which has been communicated throughout the council via the intranet.</p> <p><i>There is some proactive Counter Fraud work and the development of a more informed risk assessment would ensure that this is properly focussed.</i></p> <p>The council has approved a "whistle-blowing" (confidential reporting policy) which is publicised internally.</p> <p><i>To demonstrate the Council's commitment to supporting whistle-blowers this policy should also be externally available.</i></p> <p>The standards committee is preparing for its role in local investigations.</p>

Value for money

<p>Theme score: we assessed the Council as 'adequate performance' (2) which is an improvement on the previous year's assessment of 'inadequate performance' (1).</p>	
<p>Key findings and conclusions</p>	
<p>The Council has demonstrated that it is committed to improving value for money. The improvement in processes to deliver value for money is ensuring that value for money is becoming embedded throughout the Council.</p>	
<p>KLOE 5.1 The Council currently achieves good value for money.</p>	<p>The council's spend is relatively high compared to others and satisfaction is average or lower than average. The Council has improved its understanding of the reasons behind this and how this may impact on spend.</p> <p>Action is being taken to improve value for money by changing the shape of future service delivery.</p> <p>There is some correlation between priorities and expenditure where higher costs are in line with council decisions.</p>
<p>KLOE 5.2 The Council manages and improves value for money.</p>	<p>Information on costs is improving and being used to redesign service provision. Improved processes are in place to deliver value for money which are being embedded throughout the council.</p> <p><i>The embedding and delivering of value for money should continue to be monitored to realise efficiency gains.</i></p> <p>The ambitious spatial project is in place which aims to use IT to deliver value for money gains for the council and improve access to services. The risk of delivery failure of this project is being monitored.</p>

Theme summaries

Theme score: we assessed the Council as 'adequate performance' (2) which is an improvement on the previous year's assessment of 'inadequate performance' (1).

The capital program should continue to be closely monitored to achieve delivery of approved projects.

There have been improvements in procurement processes which take into account whole life costs and sustainable outcomes.

Partnership work is developing and external funding is being successfully achieved.

DRAFT

Conclusion

- 8 In keeping with the Audit Commission's aim of being a driver for continuous improvement, this 2007/2008 assessment has been more challenging than the previous assessment.
- 9 Our overall assessment of performance is level 2 which remains unchanged from the previous year. The Council's performance demonstrates that it has been able to make improvements in two KLOEs, those of Internal Control and Value for Money whilst maintaining its scores for the other three.

Use of resources 2008/09

- 10 From 2008/09, the auditors' assessment of use of resources will be based on new key lines of enquiry and will form part of the new performance assessment framework for local government and its partners, known as Comprehensive Area Assessment (CAA).
- 11 Key lines of enquiry for use of resources were published in May 2008 following consultation. These reflect the needs of CAA and incorporate improvements including: a clearer focus on value for money achievements and further emphasis on commissioning of services, outcomes for local people and partnership working.
- 12 The assessment is structured into three themes:
 - managing finances: sound and strategic financial management;
 - governing the business: strategic commissioning and good governance; and
 - managing resources: effective management of natural resources, assets and people.
- 13 The approach to use of resources will continue to be risk based and proportionate, drawing on evidence from previous years where relevant. Not all key lines of enquiry in the managing resources theme will be assessed each year. The table following includes the areas that will be assessed in 2008/09. The Use of Resources assessment will feed into the CAA and is planned to be published in November 2009. We will therefore be undertaking our review slightly earlier than in previous years and we are currently discussing arrangements with your officers.
- 14 The Commission will specify each year in its annual work programme and fees document which key lines of enquiry will be assessed in that year.

Specified KLOE for 2008/09 Value for Money (VFM) conclusion and Use of Resources assessment

Table 1 Use of Resources 2008/09 - Areas for Review

Managing Finances	
1.1 Planning for financial health	√
1.2 Understanding costs & achieving efficiencies	√
1.3 Financial reporting	√
Governing the business	
2.1 Commissioning & procurement	√
2.2 Use of information	√
2.3 Good governance	√
2.4 Risk management & internal control	√
Managing resources	
3.1 Natural resources	X
3.2 Strategic asset management	X
3.3 Workforce	√

Audit Commission May 2008
