

Use of Resources

Vale of White Horse DC

Audit 2007/08

Date **December 2008**

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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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Introduction

- 1 The Use of Resources assessment evaluates how well councils manage and use their resources. This is the fourth assessment carried out at the Council and is the last under the Corporate 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, smoothing 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

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- 4 In forming our assessment, we have used the methodology set out in the Use of Resources Guidance for Councils 2008, which can be found on the Commission's web site. We have also taken account of our findings and conclusions from previous years' assessments and updated these for any changes and improvements to the Council's arrangements.
 - 5 The five theme scores for Vale of White Horse District Council are outlined overleaf, as confirmed by our national quality control process and notified to you by the Commission on 8 December 2008. This summary sets out our key findings in relation to each theme.

Use of resources judgements

Table 2 Summary of scores at theme and KLOE level

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

Theme summaries

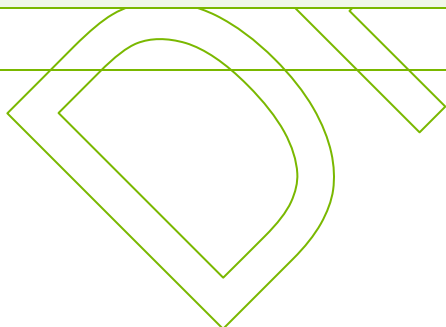
6 The key findings and conclusions for each of the five themes are summarised in the following tables.

Financial reporting

Theme score 3 (2)	
Key findings and conclusions	
The successful process for production of the annual accounts resulted in an improved overall score for financial reporting.	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	The statements were ready by the deadline and there were no errors, they were supported by very clear and comprehensive working papers including a full analytical review. All requests for further information and audit queries were responded to quickly and effectively. There were no non trivial adjustments to the financial statements
KLOE 1.2 The Council promotes external accountability.	The Council publishes information on its web site in formats that meet its responsibilities under the equalities legislation but has not pursued further whether its reporting meets the needs of all stakeholders.

Financial management

Theme score 2 (3)	
Key findings and conclusions	
The Council has maintained sound arrangements for financial management, and met some, but not all of the revised stretch improvement criteria.	
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.	Whilst the Council's arrangements remain soundly based, they did not meet the revised criteria relating to use of sensitivity analysis or taking risk assessments and financial contingency planning into account within business planning.
KLOE 2.2 The Council manages performance against budgets.	The Council has maintained its arrangements for managing performance against budget, and delivered enhancements to its arrangements for monitoring the financial performance of partnerships and sharing results with partners. It has also delivered additional training on financial management for members and other relevant staff.
KLOE 2.3 The Council manages its asset base.	Whilst the Council has continued to manage its asset base adequately, it has yet to have detailed running cost information on the use of its buildings.



Financial standing

Theme score 3 (3)	
Key findings and conclusions	
The Council continued to have arrangements for financial standing that are performing well	
KLOE 3.1 The Council manages its spending within the available resources.	The Council monitored its financial position against its budget closely during the year, and both officers and Members maintained awareness of potential impacts on reserve levels. Whilst the Council did underspend at the year end, this was due to factors outside the Council's control.

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Internal control

Theme score 2 (2)	
Key findings and conclusions	
The Council maintained sound arrangements and delivered improvements around risk management. Whilst the lack of procedure manuals for new systems impacted on the use of resources assessment, measures have been taken to address this.	
KLOE 4.1 The Council manages its significant business risks.	There are clear links between the corporate risk register and strategic objectives with good review processes in year. Partnership risks are incorporated into risk register and the arrangements are now considered to be embedded.
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	Whilst the majority of the arrangements for the system of internal control were maintained, there was a change in finance systems in year for which no procedure manuals prepared. This led to a lack of system reconciliations in year.
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.	The Council maintained its arrangements in line with the previous year. The improvements around internal audit had not delivered outcomes in time for this year's assessment.



Value for money

Theme score 3 (3)	
Key findings and conclusions	
The Council's arrangements to achieve and manage value for money continue to be performing well.	
KLOE 5.1 The Council currently achieves good value for money.	<p>There remains a positive relationship between costs and performance. Costs are low overall and generally average for key services, while performance is generally above average or showing improvement. Satisfaction with key services is generally above average.</p> <p>The Council's costs continue to reflect policy decisions, with expenditure linked to its strategic and financial plans.</p> <p>The Council continues to use performance information to compare and track performance over time through corporate performance monitoring. However, the Council's approach to using information has not continued to develop. As a result, the Council is not routinely considering costs and performance data simultaneously to provide a picture of its value for money relative to other councils.</p>
KLOE 5.2 The Council manages and improves value for money.	<p>The Council has clear policies and processes for reviewing and improving VfM. However, there remains scope for more challenge and consistency in determining the priority of services and how resources are allocated. The Council can demonstrate innovation in improving value for money. In addition to the joint contract for revenue services, the Council is now working to procure a joint waste contract, which promises to bring substantial savings/benefits to local people. The merging of management structures with South Oxfordshire DC also promises substantial savings.</p> <p>There is evidence that the Council is starting to take account of wider environmental and social costs in its procurement decisions. However, the Council acknowledges that sustainability in procurement is at an early stage and more needs to be done to embed this in the procurement process.</p>

Conclusion

- 7** The Council's performance demonstrates arrangements that are sound to deliver its priorities, and it has recognised and taken action to address those areas where performance has been assessed as not performing as strongly. This should stand it in good stead to demonstrate outcomes in future assessments.

Use of resources 2008/09

- 8** 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).
- 9** Key lines of enquiry for use of resources were published in May 2008 following consultation. These reflect the needs of CAA and incorporate a number of improvements including: a clearer focus on value for money achievements and further emphasis on commissioning of services, outcomes for local people and partnership working.
- 10** 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.
- 11** 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. For district councils, auditors will assess work force planning.
- 12** 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.