

Use of Resources

January 2008



Use of Resources

Gedling Borough Council

Audit 2007-2008

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

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.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2008

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

Contents

| | |
|------------------------------------|-----------|
| Introduction | 4 |
| Use of resources judgements | 6 |
| Theme summaries | 7 |
| Financial reporting | 7 |
| Financial management | 8 |
| Financial standing | 9 |
| Internal control | 10 |
| Value for money | 11 |
| Conclusion | 13 |
| Use of resources 2008 | 13 |

Introduction

- 1 The Use of Resources (UoR) assessment evaluates how well councils manage and use their resources. The assessment is carried out each year and focuses on the importance of 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 is the third assessment we have undertaken at Gedling Borough Council. Our assessment is based on the key lines of enquiry for 2007. These include new requirements for councils as part of the Audit Commission's approach to phasing in those elements that need more lead in time and to supporting improvement by gradually raising the standard of the assessment. The period assessed for 2007 has also been aligned with the financial year 2006/07. Councils may, however, provide evidence that becomes available after the end of the financial year, to demonstrate their arrangements are working effectively and are embedded.
- 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. 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 Councils 2007, which can be found on the Commission's website. 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 Gedling Borough Council are outlined overleaf. These scores were subjected to our national quality control process. This sought to ensure consistency across all suppliers and on a national basis.

- 6 This summary sets out our key findings in relation to each theme and key areas for improvement. Note that the 'improvement opportunities' reflect our specific findings for this year. They are not intended to highlight issues needing attention to achieve a higher rating. The Council has agreed to consider the issues we raise, as part of its considerations for dealing with use of resources and so we have not sought specific responses to our suggestions.
- 7 The Commission has published the 2008 Use of Resources key lines of enquiry (KLOE) on its website. A copy of this has been provided to officers.

Use of resources judgements

Table 2 Summary of scores at theme and KLOE level

| Key lines of enquiry (KLOEs) | Score 2007 | Score 2006 |
|---|-------------------|-------------------|
| Financial reporting | | |
| 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers. | 3 | 3 |
| 1.2 The Council promotes external accountability. | 3 | 3 |
| Financial management | | |
| 2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities. | 3 | 3 |
| 2.2 The Council manages performance against budgets. | 3 | 3 |
| 2.3 The Council manages its asset base. | 3 | 3 |
| Financial standing | | |
| 3.1 The Council manages its spending within the available resources. | 3 | 2 |
| Internal control | | |
| 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. | 3 | 3 |
| 4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business. | 3 | 3 |
| Value for money | | |
| 5.1 The Council currently achieves good value for money. | 3 | 3 |
| 5.2 The Council manages and improves value for money. | 4 | 4 |

Theme summaries

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

Financial reporting

Table 3

| | |
|--|--|
| Theme score 3 | |
| Key findings and conclusions | |
| <p>Last year's progress has been maintained. The underlying quality of the accounts presented for audit is consistent and the Council is performing well in accounts production.</p> <p>The Council continues to consult with users to improve external accountability and performance is consistently above minimum levels.</p> | |
| Improvement opportunities | |
| <p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p> | <p>Conduct a joint 'post implementation review' with auditors of the preparation and audit of the 2006/07 statements with a view to identifying the scope for further improvement in closedown and audit procedures.</p> <p>Take early account of the required changes to the 2007/08 statements eg the revaluation reserve.</p> |
| <p>KLOE 1.2 The Council promotes external accountability.</p> | <p>No additional comments.</p> |

Financial management

Table 4

| | |
|---|---|
| Theme score 3 | |
| Key findings and conclusions | |
| <p>The Council maintained a good level of performance on all three key lines of enquiry.</p> <p>The Council's corporate plan is linked to its financial planning and management. The Council's budgets and capital programme are based on robust medium-term projections and risk assessments.</p> <p>The Council has sound arrangements in place for managing its performance against budgets.</p> <p>The Council has maintained its arrangements for asset management as we reported last year. It evaluates asset use in relation to corporate objectives.</p> | |
| Improvement opportunities | |
| 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. | No specific improvement opportunities identified. |
| KLOE 2.2 The Council manages performance against budgets. | As above. |
| KLOE 2.3 The Council manages its asset base. | As above. |

Financial standing

Table 5

| | |
|---|---|
| Theme score 3 | |
| Key findings and conclusions | |
| <p>The Council maintained a good level of performance in managing its spending. It actively manages its levels of reserves and balances and has spending plans which match available resources.</p> <p>Improvement in the recording of debt collection monitoring has been confirmed.</p> | |
| Improvement opportunities | |
| KLOE 3.1 The Council manages its spending within the available resources. | No specific improvement opportunities identified. |

Internal control

Table 6

| | |
|---|---|
| Theme score 3 | |
| Key findings and conclusions | |
| <p>The Council has good arrangements for the management of its significant business risks. It updated its risk management strategy in December 2006. It has provided risk management training to officers and members.</p> <p>The Council has a formal audit committee and can demonstrate that it is effectively delivering the core functions of an audit committee and that the committee provides effective leadership on governance, financial reporting and audit issues.</p> <p>The Council has good arrangements in place to promote and ensure probity and propriety in the conduct of its business.</p> | |
| Improvement opportunities | |
| KLOE 4.1 The Council manages its significant business risks. | Consider, for example, quantifying and reporting positive outcomes from risk management where possible. Departmental managers should consider the identification of positive risks (opportunities). |
| KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control. | No specific improvement opportunities identified. |
| 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 should continually review and confirm that its arrangements are embedded with regular training for members and staff. |

Value for money

Table 7

| |
|--|
| Theme score 3 |
| Key findings and conclusions |
| <p>The Council has a thorough understanding of its costs and the external factors affecting them. It has continued to ensure downward pressure on costs whilst seeking to make improvements in performance and looks ahead to anticipate performance difficulties. Areas of higher spending are understood and regularly reviewed; efforts to reduce un-apportioned overhead costs have reduced these significantly. Overall spending continues to be low and is in the lower quartile for spending in comparison with other district councils.</p> <p>The Council is keen to undertake user satisfaction work across a wide range of services and to seek users' views on a wide range of topics. It has sought additional peer review for work in leisure and parks and open spaces - the results are favourable but action planning to improve areas highlighted in reports is evident. There is a high level of satisfaction with services when compared with other Nottinghamshire District Councils.</p> <p>The Council is performing well above average on many of its indicators, but there is an inconsistent performance in some areas where improved performance may have been expected and consolidated from last year. Some of these performance issues will be tackled by a thorough review of front-line services and corporate administration through an ambitious transformation programme.</p> <p>Capital programme management has continued to be successful in focusing capital spending on areas of Council priority and the programme is actively managed through regular performance and budget scrutiny and review.</p> <p>There are many examples of partnership working which have resulted in effective joint working with others, attraction of external funding and the achievement of value for money as well as effectively meeting strategic priorities. Work has been undertaken to support 'hard to reach' groups such as young people or to support neighbourhood communities, through increased access to existing services, through development of new services and through joint commissioning.</p> <p>The Council continues to offer taxpayers low cost services which are generally performing well and with high customer satisfaction though performance could be more consistent across all Performance Indicators.</p> |

| Improvement opportunities | |
|--|---|
| <p>KLOE 5.1 The Council currently achieves good value for money.</p> | <p>Develop an early warning system for areas of service which might potentially fall below expected performance so that risks such as staff shortages can be picked up at the earliest opportunity during the year.</p> |
| <p>KLOE 5.2 The Council manages and improves value for money.</p> | <p>Ensure that the review of front-line and corporate administration through the transformation programme is carefully risk-managed throughout the process to ensure performance continues to improve.</p> |

Conclusion

- 9 The Council's performance demonstrates in all areas that it continues to perform well, scoring a 3 overall. This also effectively represents an improved performance based on the introduction of new criteria and higher standards within the KLOE. Specific findings and conclusions for the five main themes are detailed above. Additionally the Council needs to carry out its own assessment of what it needs to introduce, improve and embed to achieve the Audit Commission's revised key lines of enquiry for 2008.

Use of resources 2008

- 10 The Commission has published its key lines of enquiry for 2008 on its web site. There is an annotated version of the key lines of enquiry available which shows all the changes from 2007. This should assist you in pin-pointing the changes. We will be reporting our scores and findings from our 2008 assessment to you at a similar time next year.
- 11 The Commission consulted on the changes to the key lines of enquiry for 2008 during April to June 2007. The Commission's response to the consultation can be found on its website. The key lines of enquiry for 2008 reflect some of the changing priorities for councils as they respond to the major challenges facing them and the higher expectations of them. Making further improvements in efficiency will be critical for councils in responding to: the changing demographic profile of communities, increasing public expectations of public services and expected constraints on funding from Government.
- 12 The key lines of enquiry give more emphasis, mainly at level 4, to areas such as: sustainability, working in partnership and using IT to secure service and value for money improvements; strategic asset management and joint procurement. These areas signal the changes which will be given more emphasis in the use of resources assessment under Comprehensive Area Assessment, the new performance framework for local services.