

Use of Resources

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Use of Resources Auditor Judgements 2007

Chorley Borough Council

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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 Chorley Borough Council. Our assessment is based on the key lines of enquiry for 2007. These include new requirements for councils as part of the 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 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 Chorley Borough Council are outlined overleaf. This summary sets out our key findings in relation to each theme and key areas for improvement.

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.	2	3
1.2 The Council promotes external accountability.	4	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.	2	2
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.	4	3
Internal control		
4.1 The Council manages its significant business risks.	4	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.	2	2
Value for money		
5.1 The Council currently achieves good value for money.	4	4
5.2 The Council manages and improves value for money.	4	3

Theme summaries

- 6 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>Preparation the 2006/07 financial statements was particularly complex due to the changes to the 'Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice' (SORP) and the impact on the accounting entries relating to the large scale voluntary transfer (LSVT). Whilst the Council accounted for the majority of these changes correctly, some material amendments were necessary.</p> <p>The Council is performing strongly in terms of promoting external accountability, updating its summary accounts to make them more understandable to the public.</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>Continue to develop closedown arrangements to further reduce the number of errors contained in the accounts submitted for audit by:</p> <ul style="list-style-type: none"> • preparing early set of accounts to allow initial audit review and ensure robust member scrutiny; • improving quality assurance processes; and • ensuring all prescribed working papers are available at the start of the audit; <p>Ensure all additional requests from the auditor are responded to promptly in accordance with any agreed deadlines.</p>
<p>KLOE 1.2 The Council promotes external accountability.</p>	<p>Seek opportunities for improving interaction and further promoting external accountability</p>

Financial management

Table 4

Theme score 3	
Key findings and conclusions	
<p>Following the change in the assessment period, there has been limited opportunity for the Council to strengthen arrangements relating to financial management in time to be considered as part of this assessment.</p> <p>In terms of asset management, the Council's Corporate Strategy and capital forecasts have been updated, and the latest rolling 3-year Capital Strategy covers the period up to 31 March 2008. The Capital Strategy and the Asset Management Plan (AMP) show good links to each other and to the Medium-Term Financial Strategy (MTFS), and all three documents are to be further updated by early 2008. An up-to-date Asset Register has also been compiled. The new contract to out-source the property management function to Liberata has now been signed and includes programmes for both planned and backlog maintenance.</p> <p>There are sound governance arrangements covering the organisation, supervision and reporting of the Council's asset management function, and elected Members are fully involved in these. There are also good arrangements for project appraisal and prioritisation, with investment and disposal decisions being based on whole-life costing. Both the AMP and the Unit Business Plan for 2006/7 include targets for property that link asset performance to corporate and business objectives, and the new Liberata contract for Property Services sets out clear service, performance and efficiency targets for future monitoring.</p>	
Improvement opportunities	
<p>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.</p>	<p>Build sensitivity analysis into the development of the corporate strategy and gather more explicit evidence of stakeholder consultation.</p> <p>State revenue implications of capital investment plans more explicitly in the MTFS.</p> <p>Develop linkages between the MTFS and other internal strategies and plans as appropriate, eg human resources, IT.</p>
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>Test financial systems on a regular basis to ensure report outputs are timely, accurate, reliable, and clear, in a</p>

Theme score 3	
	<p>convenient format to be readily understood by their recipients.</p> <p>Review effectiveness of Cabinet and the leadership it provides with regard to financial management, taking appropriate action to address areas of weakness.</p> <p>Further develop 'traffic light' system (or similar) to focus Cabinet on key variances, supported by evidence of corrective action.</p> <p>Provide Cabinet with accrued financial monitoring reports, particularly on significant balance account items, at appropriate key points during the year.</p> <p>Further develop financial information systems that meet user needs by consulting with users, and providing them with advice and training.</p> <p>Profile savings and efficiency gains over the year and provide members with monitoring information throughout the period to ensure their achievement.</p>
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>Use performance measures and benchmarking to describe and evaluate how the Council's asset base contributes to the achievement of corporate and service objectives (including improvement priorities)</p> <p>Communicate this information to relevant stakeholders</p> <p>Integrate information concerning the cost and performance of the Council's asset base into single performance reports, to provide a more complete picture of the Council's asset performance and thereby to facilitate its more effective management.</p>

Financial standing

Table 5

Theme score 4	
Key findings and conclusions	
<p>The Council is performing strongly in terms of managing its spending within the available resources. Collection rates for material sources of income continue to improve and for housing rents and Council Tax represent top quartile performance for 2006/07. The Council has also conducted a detailed review of debt management arrangements to minimise debt and assess debt recovery methods.</p>	
Improvement opportunities	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p>	<p>Seek opportunities for further enhancements in managing spend within available resources eg</p> <p>If a decision is made to fund the capital programme through external borrowing, monitor prudential indicators on a more regular basis.</p> <p>Review the policy for reserves and balances in light of the forthcoming transfer of HRA balances to the General Fund ensuring that a clear link to the needs and risks the Council faces.</p>

Internal control

Table 6

Theme score 3	
Key findings and conclusions	
<p>The Council is now performing strongly in terms of managing its significant business risks. Directorate assurance statements, which have been introduced to strengthen corporate governance arrangements, provide assurance that risk management procedures are being applied at service level. The strategic risk register has also been updated to demonstrate action taken in relation to positive as well as negative risks.</p> <p>Following the change in the assessment period, there has been limited opportunity for the Council to strengthen arrangements relating to maintaining a sound system of internal control and promoting and ensuring probity and propriety in the conduct of its business in time to be considered as part of this assessment. The main improvement to existing systems of internal control is the introduction of the Directorate assurance statements referred to above. In addition, detailed reviews of business continuity management and registers of disclosures have been undertaken by Internal Audit.</p>	
Improvement opportunities	
<p>KLOE 4.1 The Council manages its significant business risks.</p>	<p>Seek opportunities for further improving risk management eg</p> <p>Review provision of risk management awareness training for all members on a regular basis, including those without specific responsibility for risk management.</p>
<p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.</p>	<p>Ensure that the relevant portfolio holders certify service statements of assurance on internal control to better evidence member review of the sources of assurance which support the Statement on Internal Control.</p> <p>Continue to develop arrangements for business continuity planning to demonstrate that they are effective.</p> <p>Develop corporate arrangements for reviewing policies and procedures, including financial procedures and partnership arrangements.</p>

Theme score 3	
	<p>Formalise and better evidence monitoring of compliance with standing orders, standing financial instructions and the scheme of delegation by management.</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>Assess standards of conduct, including how effectively members are complying with the code of conduct, the number and type of complaints received and whether appropriate action has been taken.</p> <p>Ensure members understand and comply with procedures around the need to declare gifts and hospitality.</p> <p>Review registers of interests and of gifts and hospitality on a regular basis to ensure members and staff are making appropriate disclosures.</p> <p>Ensure all proactive counter fraud and corruption work is determined by a formal risk assessment and is adequately resourced.</p>

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Value for money

Table 7

Theme score 4	
Key findings and conclusions	
<p>The Council's overall costs compare favourably with those of other Districts, and its overall performance remains consistently high in relation to them. Areas of high cost and/or sub-standard performance are vigorously and effectively challenged, and there is a strong culture of continuous service improvement and VFM throughout the Council.</p> <p>The Council has comfortably exceeded its corporate savings targets, both in relation to Gershon efficiencies and strategic procurement. Extensive and innovative use is being made of ICT to improve service efficiency, user focus and customer access to Council services. There is a strong emphasis on the use of joint procurement, shared services and the sustainability agenda.</p> <p>The Council continues to make good use of external funding, and has also taken positive steps to publicise the opportunities for wider public access to such funds.</p> <p>Examples of notable practice identified last year remain valid, and several new ones have been identified for the current year.</p> <p>The Council has responded effectively to the improvement opportunities identified by last year's Use of Resources assessment in relation to VFM KLoE 5.2, by:</p> <ul style="list-style-type: none"> • establishing a 3-year programme of wide-ranging VFM reviews; and • taking effective steps to implement the new Benchmarking Strategy. 	
Improvement opportunities	
KLOE 5.1 The Council currently achieves good value for money.	Seek opportunities for further improvements in value for money
KLOE 5.2 The Council manages and improves value for money.	Seek opportunities for further improvements in value for money

Conclusion

- 7 The Council continues to demonstrate its commitment to improving arrangements for managing and using its resources, with arrangements in the following four areas now performing strongly:
 - promoting external accountability;
 - managing spending within the available resources;
 - managing its significant business risks; and
 - managing and improving value for money.
- 8 This resulted in Chorley achieving an overall level 4. This is a significant achievement with only X other district councils in the country achieving this.

Use of resources 2008

- 9 The Commission has published its key lines of enquiry for 2008 on its website. There is an annotated version of the key lines of enquiry available which show 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.
- 10 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.
- 11 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.