

Use of Resources 2008

Chorley Borough Council
Audit 2007-2008

DRAFT

Contents

Introduction	3
Use of resources judgements	4
Theme summaries	5
Conclusion	11

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 councils manage and use their resources. This is the fourth assessment carried out at the council and is the last under the CPA framework. Next year there will be a new assessment which will form part of the Comprehensive Area Assessment. The assessment of Use of Resources 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

- 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 Chorley Borough Council are outlined overleaf and the 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	3
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.	4	4
Financial management	3	3
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	3	2
2.2 The Council manages performance against budgets.	3	3
2.3 The Council manages its asset base.	3	3
Financial standing	3	4
3.1 The Council manages its spending within the available resources.	3	4
Internal control	4	3
4.1 The Council manages its significant business risks.	4	4
4.2 The Council has arrangements in place to maintain a sound system of internal control.	4	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	2
Value for money	4	4
5.1 The Council currently achieves good value for money.	4	4
5.2 The Council manages and improves value for money.	4	4

Theme summaries

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

Table 3 Financial reporting

Theme score 3	
Key findings and conclusions	
The scores in relation to Financial Reporting remain the same as last year.	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	<p>The arrangements for the preparation of the accounts improved in 2007/08 and the accounts were supported by comprehensive working papers from the start of the audit. Also, the Council put in place an improved system for dealing with audit queries which was marked improvement from previous years.</p> <p>However, the accounts submitted for audit included two material misstatements together a small number of other errors.</p>
KLOE 1.2 The Council promotes external accountability.	<p>The Council continues to perform strongly in terms of promoting external accountability and further examples of notable practice were submitted. These show how it has built on its previous good practice for interacting with its citizens and stakeholders and outline the variety of ways that it promotes external accountability.</p>

Table 4 Financial management

Theme score 3	
Key findings and conclusions	
Whilst the overall score for Financial Management remained the same as last year, we noted improvements in relation to KLOE 2.1.	
<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>Increased to level 3</p>	<p>The Council has implemented the further improvements as follows.</p> <ul style="list-style-type: none"> • Sensitivity analysis is now embedded into the Corporate business plan and the Medium Term Financial Strategy (MTFS). • There are clearer linkages between the MTFS and other internal strategies.
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>The Council continues to plan and manage its finances well. Its financial information systems have flexible reporting tools to enable specialist reports to be designed to inform officers and members.</p> <p>No significant departmental overspends or underspends occurred that were not identified as a risk and the associated underlying budgetary pressures are being addressed effectively.</p> <p>Relevant non-financial and financial information, in addition to the budget, is reported to members and acted upon.</p>
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>The Council has strengthened its arrangements for asset management and continues to meet the level 3 criteria. The updated three year capital programme links explicitly to the Council's priorities for affordable housing, the town centre and sustainability and investment in its infrastructure. It uses its property portfolio well to, for example, facilitate job creation and better transport links.</p> <p>A revised Asset Management Strategy and Plan 2008 to 2010, reflects the new partnership arrangements with Liberata and sets out the vision, aims and actions for corporate property. However, asset management planning is not fully integrated with business planning at corporate and service levels, such as for example, the Council's ICT</p>

Theme score 3	
	<p>Strategy and the opportunities for flexible working policies. Management of the asset base is also not integrated with, for example, third sector and local public agencies to identify opportunities for shared use of property to deliver seamless services to users.</p> <p>Arrangements remain in place for maintaining the asset register, member and officer responsibility for corporate property, the planned maintenance programme, challenging the fitness of property and investment and disposal arrangements.</p> <p>Performance measures, but not benchmarking, are used to describe and evaluate how the Council's asset base contributes to the achievement of corporate and service objectives.</p>

DRAFT

Table 5 Financial standing

Theme score 3	
Key findings and conclusions	
The Council continues to manage its spending well within the available resources.	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p> <p>Reduced to level 3</p>	<p>The Council consistently maintains its spending within its overall budget and without significant unexpected overspends or under-spend.</p> <p>It sets challenging targets for a comprehensive set of financial health indicators, monitors performance and has a good track record of achieving these targets.</p> <p>The Council continues to manage its spending well, but no new and additional notable practice has been identified, as required to remain at level 4.</p>

DRAFT

Table 6 Internal control

Theme score 4	
Key findings and conclusions	
The Council continues to perform strongly in respect of risk management and our review in 2007/08 noted that there had been significant improvements in internal control and probity. As a result the overall score for internal control was increased to 4.	
KLOE 4.1 The Council manages its significant business risks.	Our 2008 review confirmed that the risk management arrangements continue to represent best practice. This year the Council developed a Framework for Partnership Working which set out corporate standards for partnership governance, including performance management and risk management which represented notable practice.
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control. Increased to level 4	The Council continued to demonstrate that it met all level 3 criteria. In addition in 2007/08 the Council undertook a major project to integrate Directorate Assurance Statements within the Council's performance management, assurance framework and overall system of corporate governance which represented notable practice.
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. Increased to level 3	Responding to an identified improvement opportunity identified in last year's assessment, the Council undertook a major review in 2007/08 to compile a fraud and corruption risk register through a series of service based risk assessments undertaken by Internal Audit starting in April 2007. Whilst the fraud and corruption risk register was only formally approved in March 2008, the individual service based risk assessments were used to inform the pro-active counter fraud and corruption work on an ongoing basis.

Table 7 Value for money

Theme score	
Key findings and conclusions	
The Council continues to perform strongly in respect of achieving value for money and strengthening its processes for managing and improving value for money.	
KLOE 5.1 The Council currently achieves good value for money.	<p>The Council continues to achieve good value for money. Costs are overall commensurate within service delivery, performance and the outcomes achieved. In 2007/08 performance further improved across the majority of national indicators with 30 out of 46 service indicators above the median or amongst the best 25 per cent of councils. Improved value for money is, for example, demonstrated by lower costs in addressing community safety associated with lower crime rates.</p> <p>The Council has a robust, strategic approach to the allocation of resources in line with its priorities. It responds well to meet users' needs that are expressed through consultation and feedback which has been further strengthened through the Circle of Need project and demonstrated by the 'get up and go' activities for young people. The capital programme links to the Council's priorities and is well managed and monitored with projects re-phased as appropriate. In 2007/08 89 per cent of the programme was completed.</p>
KLOE 5.2 The Council manages and improves value for money.	<p>The Council continues to strengthen its processes to manage and improve value for money and demonstrate notable practices. It was awarded Beacon Status for Transforming services through citizen engagement and empowerment. It has detailed understanding of comparative costs, trends and reasons for any variations in outcomes and proactively seeks out benchmarking to further inform service and value for money improvements. Service reviews have clear focus on improving outcomes and reducing costs.</p> <p>The Council makes good use of partnerships and procurement to achieve its priorities and proactively seeks out further opportunities with other councils to reduce costs and improve outcomes. It has successfully used procurement, for example, for leisure and waste services, to improve and sustain value for money, achieve environmental and social benefits and improve services. It has delivered on and exceeded its efficiency review targets both for 2007/08 and over the three year programme. Action to reduce sickness absence has been very effective - attendance is now amongst the best 25 per cent of councils - and contributed to efficiency gains of £144,000.</p>

Conclusion

- 7** We congratulate Chorley on achieving an overall score of 4 for the second year running. The Council's performs strongly for internal control and VFM and consistently above minimum requirements over the other three themes.

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 as follows.
- Managing finances: sound and strategic financial management.
 - Governing the business: strategic commissioning and good governance.
 - 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.