

Use of Resources

Taunton Deane Borough Council

Audit 2007/08

Date

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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 CPA framework. Next year there will be a new assessment which will form part of the Comprehensive Area Assessment. The Use of Resources assessment focuses on the importance of having strategic financial management, sound governance and effective financial reporting arrangements. These qualities 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 Taunton Deane Borough Council are outlined overleaf. These scores are still 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 key areas for improvement.

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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		
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	1	3
1.2 The Council promotes external accountability.	3	3
Overall score for financial reporting	2	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.	2	2
Overall score for financial management	3	3
Financial standing		
3.1 The Council manages its spending within the available resources.	2	3
Internal control		
4.1 The Council manages its significant business risks.	2	2
4.2 The Council has arrangements in place to maintain a sound system of internal control.	2	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	3
Overall score for internal control	2	2
Value for money		
5.1 The Council currently achieves good value for money.	2	3
5.2 The Council manages and improves value for money.	2	3
Overall score for value for money	2	3

Theme summaries

- 7 The key findings and conclusions for each of the five themes are summarised in the following tables. The 2007 scores are shown in brackets.

Financial reporting

Theme score: 2 (3)	
Key findings and conclusions	
Competing work pressures on the key staff involved in the accounts closure process had an impact on the quality of the 2007/08 statements of accounts and supporting working papers.	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	<p>The accounts presented for audit met the statutory requirements, were in line with the Council's own accounting policies and were supported by a comprehensive set of working papers. However, they did contain a material error, as well as three non-trivial errors.</p> <p>Staff within the finance section were working under a good deal of pressure from competing demands. This inevitably had an impact on the quality of the working papers to support the statements, which were not of the same high same standard as in recent years, and on the ability of staff to respond promptly and effectively to queries and requests for additional information at audit.</p>
KLOE 1.2 The Council promotes external accountability.	<p>The Council meets the statutory requirements for advertising electors' rights and publishing the accounts. Committee agendas, reports and our Annual Audit Letter are placed on the website on a timely basis. The Annual report incorporates a user-friendly summary of the accounts, which provides additional useful information such as performance against budget and progress on efficiency savings. The Annual Report shows some information on carbon emissions, but this does not provide any analysis or evaluation of current performance or any details of future plans in relation to the Council's environmental</p>

Theme summaries

Theme score: 2 (3)	
	footprint.

Financial management

Theme score: 3 (3)	
Key findings and conclusions	
The Council has robust arrangements in place for preparing and monitoring the budget, and is now taking action to strengthen its asset management arrangements.	
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's Medium Term Financial Strategy (MTFS) is clearly linked to its key strategic objectives. Equalities impact assessments have been undertaken across all service areas, and outcomes are reflected in service plans. The Council has a well-established process for securing effective senior manager and member involvement in the preparation of the annual budget, and there is also appropriate consultation with external stakeholders on budget priorities. High risk budgets have been identified and are subject to separate reporting to the s151 officer. The Council's financial management arrangements have been substantially re-structured with the establishment of Southwest One. The Council now produces a year-end summary showing the links from additional investment to individual corporate objectives, but this does not assess the effectiveness of this investment.
KLOE 2.2 The Council manages performance against budgets.	A balanced budget is approved before the start of the year and is regularly monitored at officer and member level through the year. This ensures that any significant overspends are identified and effective action agreed on a timely basis. When agreeing such action, the Council is careful to mitigate any impact on service delivery. The financial performance of key partnerships is monitored, alongside performance, as is progress in achieving efficiency gains. The Council's main financial

Theme score: 3 (3)	
	system - due to be replaced in 2009/10 - is an outdated in-house system which severely limits the Council's ability to produce any non-standard reports and also limits the range of standard reports that can be produced routinely. However, IT support is available to produce ad hoc specialist reports.
KLOE 2.3 The Council manages its asset base.	The Council has an up to date asset management plan (AMP), capital strategy and asset register. There is a robust process for prioritising capital bids, and the Council's plans for addressing its relatively low level of backlog maintenance are set out in the AMP. Data on the efficiency and effectiveness of land and buildings is not yet held in a format to support decision-making. The 2007-8 AMP does not provide clear forward looking goals for its assets- an updated and improved version is planned for 2008-9.

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Financial standing

Theme score: 2 (3)	
Key findings and conclusions	
The Council's budget monitoring arrangements are sound, but the Council faces severe pressures on its revenue balances, and has very limited capital resources.	
KLOE 3.1 The Council manages its spending within the available resources.	The General Fund outturn for 2007-8 was within 0.37% of the revised budget, that is, the original budget plus supplementary estimates approved during the year. That reduced the GF balance to £645,000 at the year-end, compared to the Council's agreed target level of £1.2million, but these balances were brought back up to just above this target level in April 2008 following a review of and subsequent release of funds from earmarked reserves. The Medium Term Financial Strategy shows General Fund balances staying above the target level over the next five years. It also shows significant budget gaps which the Council will need to close through future efficiency savings if it is to avoid service reductions. The policy on balances and reserves has been approved by members, although it is not supported by any detailed impact assessment of the individual risks on which it is based. The Council's collection rates for council tax and business rates both improved in 2007-8, although still below the shire district average, and the Council has agreed targets for 2008-9 and 2009-10 for further significant improvement.

Internal control

Theme score: 2 (2)	
Key findings and conclusions	
The Corporate Governance Committee provides a strong lead on governance issues, but the Council needs to embed risk management and to keep under review the resources it provides for fraud investigation work.	
KLOE 4.1 The Council manages its significant business risks.	The Council has risk registers for its major projects, and uses these to manage the key risks from these projects. As regards the key corporate risks, the basic processes are in place but the Council has made little progress in embedding these. In particular, it needs to ensure that all risk registers are regularly updated to show how risks are being managed, that members receive regular reports which allow them to assess how effectively key business risks are being managed, and that there is an on-going training programme for relevant staff.
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	The Council has robust arrangements for preparing the Annual Governance Statement. The Corporate Governance Committee performs the core functions of an audit committee effectively, and internal audit comply with the requirements of the CIPFA code. Key partnerships have been identified and their governance arrangements reviewed. The Council needs to strengthen the links between its corporate objectives and risk management. It has recently adopted a local governance code, and should now use this as a framework for monitoring compliance with its internal policies and procedures. The Council needs to ensure that its business continuity planning covers all areas of significant risk and that regular testing is undertaken.
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 has arrangements in place to ensure that all members have signed up to the code of conduct and that registers of interests and gifts are kept up to date. The Standards Committee has received training

Theme summaries

Theme score: 2 (2)	
	<p>for its enhanced role. The fraud and corruption and whistle-blowing policies are publicised appropriately. The Standards Committee has proposed an on-going training programme for members on ethical issues, but this is not yet in place. The work of the Standards Committee needs to be communicated more effectively. As regards benefit fraud, the Council places a strong focus on prevention and achieved top quartile performance in intervention activity, combined with anti-fraud training for staff, newsletters, press releases on prosecutions and robust counter fraud policies and strategies. It needs to keep under review the resources available for fraud investigations.</p>

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Value for money

Theme score: 2 (3)	
Key findings and conclusions	
<p>The Council is clearly committed to improving value for money, In the short term, progress has been limited by the significant demands on the Council's capacity of a range of major projects, in particular Southwest One, which in the longer-term the Council expects to deliver significant efficiency gains.</p>	
<p>KLOE 5.1 The Council currently achieves good value for money.</p>	<p>Tax is fairly low, although overall spending is now above average and has risen compared to other councils. The Council has not benchmarked its costs for 2007/08.</p> <p>At the year-end 50 per cent of the Council's own corporate strategy objectives were on course. As regards national and local performance indicators, 66 per cent had improved or stayed the same. Significant areas of improvement compared to last year were in benefits and environment services. Areas which have not improved significantly or are off target relate to corporate health (sickness absence and equalities), housing (non decent homes) and planning (time taken to process applications).</p> <p>There is a close agreement between the Council's spending, and its declared priorities.</p> <p>The Council has a well-managed capital programme linked to priorities and supporting service improvements.</p> <p>Unintended high spending arising in-year is identified and addressed effectively.</p>

Theme summaries

Theme score: 2 (3)

KLOE 5.2 The Council manages and improves value for money.

The Council has managed VFM less well recently, due to reduced staff capacity. Member scrutiny of VFM is not well-developed, and benchmarking has not developed significantly since last year.

Clear mechanisms are in place to review and improve VFM, although the link between cost and performance is not made explicit. Costs and performance are reported separately, and some, but not all managers consider VFM routinely. Comparison of costs and performance needs to be more widespread and consistent.

There is a commitment to improve, and to monitor progress. Progress has been limited this year due to the significant investment in the SW1 public-private partnership (and consequent diversion of energies), but which in due course is expected to deliver greater efficiencies.

Limited progress has been made in understanding the needs of diverse communities and the impact of the Council's decisions on them, although residents' views are actively sought as an integral part of the budget-setting process.

Actions have been taken on key services to improve performance or service quality, although the link with costs has not been made explicit and clarification of the impact on users or partners has been mixed. Investments have been made in under-performing services such as development control; staff sickness absence; and council tax administration, although it is too early to assess the full impact in terms of improved outcomes.

The Council has significantly exceeded its efficiency plan to achieve the cumulative efficiency review target of 7.5 per cent over a 3-year period.

After the failed bid for unitary status in Somerset, relationships are being rebuilt and there is active discussion about shared

Theme score: 2 (3)

services. There are already some good examples, such as the Somerset Waste Partnership. There is also very strong consideration of the contribution that community and voluntary organisations can make to the Council's objectives.

Procurement is in transition with the creation of the SW1 public-private partnership. It is encouraging to note that, at this early stage of the project, savings are above target.

There is a strategic and successful approach to securing external funding, focused on projects which are Council priorities.

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Conclusion

- 8** The Council's overall score has fallen from 3 to 2 this year. There are two main reasons for this:
- In line with the concept of continuous improvement, the Audit Commission has once again "raised the bar", with the introduction of some new assessment criteria and the removal of the optional status for any criteria at levels 2 and 3 - for these two levels, all the criteria are now mandatory.
 - The Council's commitment to major strategic projects, in particular South West One, which it expects will deliver significant efficiency gains over the longer-term, has had an adverse impact on the Council's capacity in the shorter-term, and this has severely limited the Council's ability to make progress in the areas covered by the Use of Resources assessments for this period.
- 9** Despite the reductions in some scores this year, the Council is clearly committed to delivering improvement in its use of resources, and is engaged in major long-term investment which should help to deliver this objective. The outcomes from its radical change programme will be reflected in future assessments.

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 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.
- 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. For district councils, auditors will assess work force planning in 2008/09...

- 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.

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