

**EXTERNAL AUDIT REPORT ON USE OF
RESOURCES AUDIT 2007/08**

Corporate Director (Resources)

1 Purpose

- 1.1 To provide the opportunity for the External Auditors to present their report on the Use of Resources to the Audit Committee.

2 Recommendations/for decision

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| 2.1 The Committee is asked to note the External Auditors' report on the Use of Resources. |
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3 Supporting information

- 3.1 The External Audit Plan, previously presented to this Committee, included a report on Use of Resources to be produced in November 2008.
- 3.2 At the November 2008 meeting of this Committee, the External Auditors gave a verbal presentation of their initial scoring for Use of Resources. At that time these scores were still subject to national review so the final report could not be presented.
- 3.3 The national review of the scores has now been completed and the External Auditors have produced their formal report which is attached as Appendix A.

4 Options considered

- 4.1 None

5 Reasons for Recommendation

- 5.1 The External Auditors wish to present their report on Use of Resources to the Audit Committee.

6 Resource implications

- 6.1 None.

7 Response to Key Aims and Objectives

- 7.1 The External Audit review process underpins the Council's own performance management framework which is designed to ensure the optimum delivery of the key aims and outcomes in the Corporate Plan.

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Background Documents

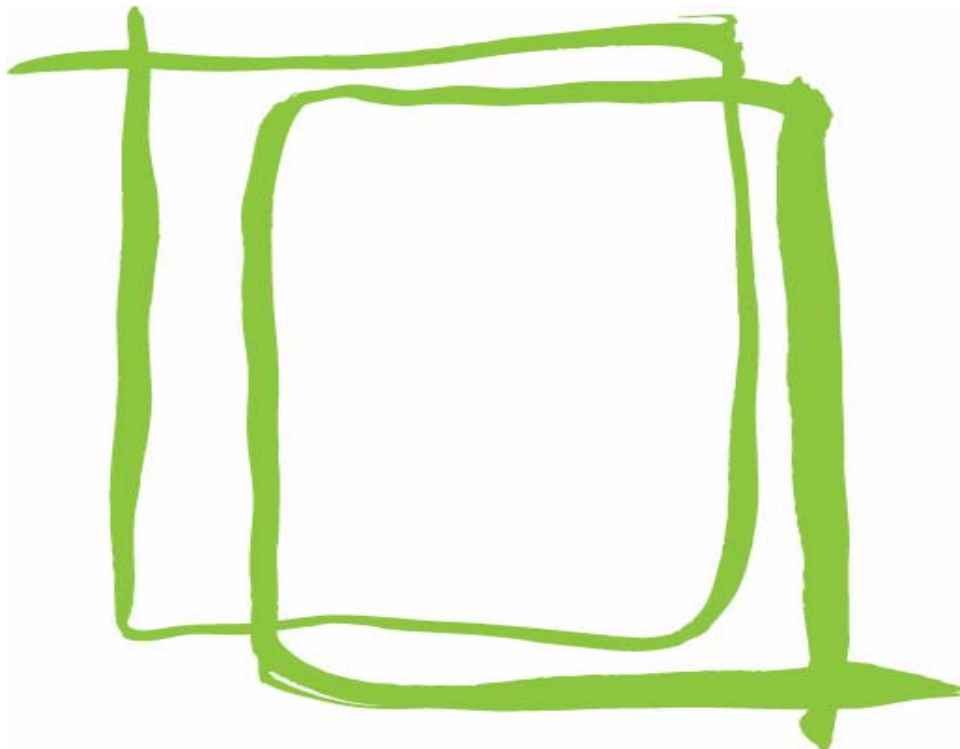
Audit Committee Papers for November 2008

Use of Resources Review

Aylesbury Vale District Council

Audit 2007/08

February 2009



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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 (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 approach 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 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 This summary sets out our key findings in relation to each theme and key areas for improvement. The five theme scores for Aylesbury Vale District Council are outlined overleaf.

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
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	1	1
1.2 The Council promotes external accountability.	3	3
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	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.	3	3
Internal control	3	3
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	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.	3	3
Value for money	2	2
5.1 The Council currently achieves good value for money.	2	2
5.2 The Council manages and improves value for money.	2	2

Theme summaries

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

Financial reporting

The Council has not improved its low overall score in this area.

Theme score - 1
Key findings and conclusions
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers. Level 1.
The assessment at level 1 was due to the number of material errors and omissions in the original set of financial statements. These have been covered in detail in the annual governance report to the November 2008 Audit Committee.
KLOE 1.2 The Council promotes external accountability. Level 3.
The Council was assessed at level 3 for this KLOE. The Council has complied with its requirements for the publication of its accounts and annual report. Agendas, reports and minutes for meetings of full council, committees and scrutiny panels are made available to the public on a timely basis and in accessible formats appropriate to comply with duties under equalities legislation. While the Council does report on progress against its key medium-term target to reduce energy consumption in its operational property, further work is needed in reporting the Council's current environmental footprint and action plans to address this.

Financial management

The Council has maintained its overall score in this area

Theme score - 3

Key findings and conclusions

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.

Level 3.

The Council has continued to embed and improve existing processes during 2007/08 to maintain a level 3 assessment in this area.

There are clearer links to the Council's objectives, service plans, the medium term financial strategy (MTFS) and the Corporate Plan. The MTFS is kept up to date and approved by Members at least annually. There is a comprehensive budget book in place for the year. Members and managers receive training on how budgeting works. Competing service and capital development issues are reported to Members to take decisions on.

KLOE 2.2

The Council manages performance against budgets.

Level 3.

There have been further improvements in, and embedding of, arrangements in this area that have led to an improved level 3 assessment.

There is monthly monitoring to budget holders and a quarterly digest to members. The Corporate Team Report system is well-established and the monitoring report is adequate for tracking overspends. However, the Council has historically not had significant cost pressures. This will change with the downturn in the economic climate and systems will need to respond accordingly.

Relevant non-financial and financial information, in addition to the budget, is reported to and used by senior officers. The quarterly performance digest is considered in the first instance by corporate team and acted upon as the key document for managing performance at an authority-wide level. Other performance measures are used and monitored to ensure service quality and standards are achieved.

Training is seen as a necessity by the Council and sufficient training is provided to members and non financial staff.

Progress in achieving planned savings and efficiency gains is regularly reported to senior management with developed action plans.

Theme score - 3

KLOE 2.3

The Council manages its asset base.

Level 2.

The assessment for this KLOE has reduced to a level 2 assessment. This is due to the need to strengthen arrangements to support the complex and ambitious capital programme currently being undertaken by the Council.

The Council has an up to date Asset Management Strategy which contains clear links to the Corporate and Capital Strategy. Developments during 2007/08 have focused even more attention in this area and the Asset Management Group is monitoring this area very closely.

The Council's complex and ambitious capital programme requires it to ensure that there are robust arrangements to project manage the overall programme effectively. Areas where more robust arrangements than those currently assessed as in place include:

- making investment and disposal decisions based on thorough option appraisal and whole life costing;
- the asset management plan providing clear forward looking strategic goals for its property assets that shows how the council's land and buildings will be used and developed to help deliver corporate priorities and service delivery needs, now and in the future and how property assets will be maintained, modernised and rationalised to ensure that they are fit for purpose; and
- maintaining a record of all of land and buildings that contains accurate data on its efficiency, effectiveness, asset value and running costs which can be used to support decision making on investment and disinvestment in property.

Financial standing

The Council has maintained its overall score in this area.

Theme score - 3
Key findings and conclusions
KLOE 3.1 The Council manages its spending within the available resources. Level 3.
<p>The Council maintained a level 3 assessment in this area.</p> <p>The Council has a soundly-based policy on the level and nature of reserves and balances it needs that has been approved by members and reflected in the budget and medium-term financial strategy. Members are aware of the purposes for which reserves are held and that the overall financial position of the Council remains sound. The use of the Portfolio lead challenge meetings where the budget managers for specific areas are challenged on issues surrounding spending plans and the setting of available reserves has helped underpin this. There are some issues around wording and tightening the criteria for specific reserves, this is an issue of presentation rather than content.</p> <p>There is an increasing shift to a tougher review of all income streams; in part the 'lack' of stretching targets has been because there have not been significant issues around non-collection and collection levels - these will move to the fore in 2008/09.</p>

Theme summaries

Internal control

The Council has maintained its overall score in this area.

Theme score - 3
Key findings and conclusions
KLOE 4.1 The Council manages its significant business risks. Level 3.
<p>The Council maintained a level 3 assessment in this area. The new risk manager is helping embed risk management arrangements - and the awareness of these - across the Council. Members are now taking an active interest, particularly around the theatre and Waterside capital projects. This awareness of risk needs to be embedded throughout the Council to ensure effective project, and overall capital programme, management.</p>
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control. Level 3.
<p>Improvements in and embedding of arrangements in this area have led to an improved level 3 assessment. The Council has an embedded scrutiny function and can demonstrate compliance with standing orders, instructions and schemes of delegation. The Audit Committee is developing its role in effectively delivering its core functions. It provides challenge when required (such as involvement in the capital programme) and in providing effective leadership on governance, financial reporting and audit issues. This can be seen, for example, in the improvements the Committee required in the audit tracker and reporting.</p> <p>The main areas for further development are:</p> <ul style="list-style-type: none">• the 'embeddedness' of the assurance framework; and• governance arrangements around partnerships.
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. Level 3.
<p>The Council maintained a level 3 assessment in this area. Policies and procedures are in place for codes of conduct and standards by both staff and members and the arrangements for monitoring these. There is an adequately-resourced and proactive approach to anti-fraud and corruption work within the Council. One area for further development is to better publicise the Council's whistle-blowing policy (although on the internet, it is not well publicised).</p>

Value for money

The Council has maintained its overall score in this area.

Theme score - 2
Key findings and conclusions
<p>KLOE 5.1 The Council currently achieves good value for money. Level 2</p>
<p>The Council has maintained its level 2 assessment in this area.</p> <p>In 2007/08 total expenditure per head on services was average compared to other district councils. The Council spent less per head on the environment generally, but more on planning services; and more on community housing services, than other districts. It spent less per head keeping the streets clean.</p> <p>Areas of higher spending are in line with stated priorities but the priorities do not provide a clear rationale for higher spending in any particular area.</p> <p>The Council has a complex and ambitious capital programme linked to priorities and supporting service improvements. It understands the short and long term costs of its actions and takes account of these when making decisions. Although the Council evaluates cost and other implications, and carries out a full financial appraisal, when approving projects or new spending decisions, the estimated costs of specific projects and the scope of specific capital projects - such as the Waterside - have changed. As these individual projects feed into a complex and ambitious capital programme, the Council needs to ensure robust and effective project management arrangements cover the overall programme and so demonstrate good value for money.</p>
<p>KLOE 5.2 The Council manages and improves value for money (VFM). Level 2.</p>
<p>The Council has maintained its level 2 assessment in this area.</p> <p>The Council:</p> <ul style="list-style-type: none"> • uses information about costs to review value for money; • understands and considers the wider impact of its actions; • pays attention to the wide ranging needs of different groups of people; • identifies and pursues opportunities to manage and reduce costs; and • works hard to secure better VFM.

Theme score - 2

Key actions taken in 2007/08 to achieve savings targets included:

- improving purchasing arrangements, lowering the prices paid for goods and services;
- working with other councils in the county to provide some services together - with a reduction in costs;
- dealing with and reducing absenteeism;
- working with the County Council to provide a joint one-stop shop in Buckingham;
- a new hostel facility in partnership with a Social Housing Landlord at no additional revenue cost to the Council;
- introducing mobile working facilities to maximise productive time on site and minimise non-productive return to office time; and
- working through the Joint Waste Committee to improve waste management arrangements cost effectively.

The Council strengthened its efficiency programme in 2007/08 and introduced a process of system reviews which it applied to two service areas. The aim was to streamline procedures whilst maintaining service standards. The process will now be rolled out into more service areas.

The Council is working with other public sector bodies in pathfinder projects which aim to improve service provision or to reduce costs by working more closely together. Tangible savings from these projects are still one to two years away but the focus has encouraged service managers to think about new ways of delivering their services particularly in partnership with neighbours.

The Council transferred its housing stock in 2006/07 and has a savings and efficiency programme throughout support services to offset the loss of the housing business. Total savings required amounted to just over £2 million and £1.5 million of the target has been identified.

The Council can demonstrate improvements in VFM in recent years and has achieved efficiency gains of over 7.5 per cent in the last three years.

Although the Council has effective arrangements for buying goods and services it has not applied these arrangements to some high value supply contracts.

Investment is made in under-performing services. External funding is sought where appropriate to support local priorities.

Conclusion

- 7** The Council's performance demonstrates improvements in specific areas. These have come about through strengthening and embedding existing arrangements. The Council has maintained scores in other areas. Areas for consideration are:
- ensuring there is a robust and adequately resourced process for the production of the financial statements to minimise the risk of material errors resulting from audit;
 - ensuring there are robust arrangements to project manage the Council's complex and ambitious capital programme effectively, particularly in the current economic climate;
 - developing governance arrangements that mirror and support the increasing range of partnership arrangements through which the Council delivers its services; and
 - ensuring the Council can continue to demonstrate effective outcomes and value for money in the delivery of its services, particularly in the current economic climate.

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 single tier and county councils auditors will assess natural resources and strategic asset management (where there is continuity with 2008). 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.

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Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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