

Use of Resources

March 2007



Use of Resources Auditor Judgements 2006

North Wiltshire District Council

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Introduction

- 1 The annual Use of Resources (UoR) assessment evaluates how well councils manage and use their financial resources. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services, covering five themes.
- 2 This is the second year of carrying out the assessment and our work has focused on building on our previous year's work and updating it for any changes and improvements to the Council's arrangements.
- 3 Judgements will be made for each theme on the following scale which has been standardised by the Audit Commission across 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

The overall score for Use of Resources assessment will be reported to the Council by the Audit Commission on 16 March 2007.

- 4 In forming our assessment, we followed the methodology set out in the Use of Resources Guidance for Councils, 2006 assessment. In particular, in order to support scores of 3 and above, we need to consider whether relevant arrangements are 'embedded' that is, they have been operating consistently with clear outputs and having an impact. For scores of 4 (performing strongly) we are required to consider whether, in addition to meeting the descriptors/criteria, councils can demonstrate innovation or best practice that can be shared with other authorities. The descriptors/criteria at level 4 have been kept to a minimum so as to avoid them becoming unnecessarily prescriptive and limiting.
- 5 In relation to future assessments, as outlined in the CPA framework documents for 2006 [for single tier and county councils/for district councils], the status of a number of criteria will change to 'must have status'. For information, these criteria have been summarised at Appendix 1. In order for the Council to sustain or to improve upon its current performance at the next assessment, it will need to take these criteria into consideration.

- 6** The five theme scores for North Wiltshire District 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 2006	Score 2005
Financial reporting	2	2
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.	2	2
Financial management	2	1
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.	2	1
2.3 The Council manages its asset base.	3	1
Financial standing	2	2
3.1 The Council manages its spending within the available resources.	2	2
Internal control	2	2
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	1
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	2	2
5.1 The Council currently achieves good value for money.	2	2
5.2 The Council manages and improves value for money.	3	3

Theme summaries

- 7 The key findings and conclusions for each of the five themes are summarised in Table 3.

Table 3 Summary of findings and conclusions by theme

<h3>Financial reporting</h3> <p>Theme score - 2</p>	
<p>Key findings and conclusions</p> <p>The accounts were produced within the statutory deadline and contained no material errors, however, they did include a number of errors which were more than trivial which were detailed in the Governance report. These included a difference £220,000 on the reconciliation between the main accounting system (financial ledger) and the SX3 system relating to council tax arrears and a difference of £67,000 between the financial ledger and housing benefit paid recorded on the SX3 system.</p> <p>The accounts were subject to a robust review by Members. The 2005/06 opinion audit was difficult due to problems obtaining explanations to audit queries from finance staff, although the Council took action to manage the challenges presented by staff changes during the period of the audit.</p>	
<p>Improvement opportunities</p>	
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p>Improve quality control arrangements to ensure there are fewer errors in next year's accounts.</p>
<p>KLOE 1.2 The Council promotes external accountability.</p>	<p>The Council needs to demonstrate that it is considering the views of a range of stakeholders in making a decision on publishing an annual report.</p> <p>Consider publishing an annual report or similar document which includes summary accounts.</p>

Financial management	
Theme score - 2	
Key findings and conclusions	
<p>The Council has in place a three year medium term financial strategy which is linked to corporate priorities. Budget holders, senior officers and Members are clearly involved in the process.</p> <p>The council has satisfactory arrangements for monitoring performance against budgets. Budgets are loaded onto the main accounting system (financial ledger) and reporting progress against budget to the Executive has been strengthened since last year.</p> <p>Since last year the Council has improved its arrangements for the management of assets through the introduction of a new asset management plan and capital strategy. The AMP details backlog maintenance which is now being tackled over a three year period via the capital budget.</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>There is scope to further develop the linkages between the Corporate Plan and service plans such as the IT strategy and Human Resources strategy.</p> <p>The key messages from the Council's medium-term financial strategy should be communicated to staff and stakeholders as appropriate.</p>
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>Further embed arrangements for reporting progress against the budget to the Executive. Ensure the Council's budget monitoring is related to operational activity indicators that are lead indicators of spend.</p> <p>Ensure that no significant departmental overspends/under-spends occur that were not identified as a risk which was taken into account in developing the Council's reserves strategy. Also ensure that the associated underlying budgetary pressures are being managed effectively over time.</p>
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>Further embed arrangements for asset management and develop a full set of local performance indicators covering all aspects of asset management including energy usage, standards of assets etc.</p>

Financial standing

Theme score - 2

Key findings and conclusions

At the time of the audit the Council continued to maintain adequate levels of reserves. The Council is reviewing its policy on the required level of risk based reserves.

Improvement opportunities

KLOE 3.1 The Council manages its spending within the available resources.

The Council needs to embed arrangements including its policy on risk based reserves which should include a thorough understanding of its needs and risks, and be properly and clearly reported to members. The policy should cover earmarked reserves as well as the general fund reserve.

Develop monitoring information that evaluates the effectiveness of recovery actions, associated costs, and the cost of not recovering debt promptly for material categories of income.

Further develop and then monitor targets for all material categories of income collection and recovery of arrears, particularly setting targets by reference to the age profile of debt.

Internal control

Theme score - 2

Key findings and conclusions

Since last year the Council has taken steps to improve the risk management process. A review has been undertaken and an action plan developed to improve the risk management environment.

The Council has strengthened its arrangements to maintain a sound system of internal control through re-establishing its internal audit function in line with the CIPFA Code.

Improvement opportunities

KLOE 4.1 The Council manages its significant business risks.

Implement the action plan for improving risk management which includes up-dating the risk management strategy. Embed arrangements for reviewing risks in relation to partnerships. Ensure that Members with responsibility for corporate risk management receive overall reports on risks on a regular basis and take appropriate action to ensure that corporate business risks are being actively managed, including reporting to full Council as appropriate.

KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.

Embed arrangements for ensuring that key financial reconciliations are completed and reviewed regularly through the creation of a formal timetable and allocating responsibility for reviewing completed reconciliations. Establish an overarching framework that maps the Council's strategic objectives to risks controls and assurances. Develop arrangements whereby compliance with standing orders, standing financial Instructions and the scheme of delegation is monitored by management, and any breaches identified and appropriate action taken. Embed arrangements for ensuring there are appropriate governance arrangements for significant partnerships.

Internal control

Theme score - 2

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 develop arrangements for proactively raising the standards of ethical behaviour amongst Members and staff, including the provision of ethics training.

Undertake an assessment of standards of conduct, including how effectively members are complying with the code of conduct, the number and types of complaints received, and take action as appropriate.

Further develop arrangements for completing counter fraud work and publicising the whistle blowing policy.

<h2>Value for money</h2> <p>Theme score - 2</p>	
<p>Key findings and conclusions</p> <p>Overall spending on services is low compared with other similar councils and, with a few exceptions, there is generally a clear relationship between costs and the range, level and quality of services provided. Most areas of higher spending are in line with council priorities although these do not consistently deliver better performance. Conversely, some services such as waste and housing - although priorities for the Council - are areas of comparatively low spending and mixed performance.</p> <p>There is some information on costs and how these compare with others but this does not extend to all services, is not tracked over time or routinely monitored in relation to how well services perform. However, where information is available, managers and councillors use it to challenge and pursue opportunities to improve VFM and address poorly performing services.</p> <p>VFM awareness is growing and the Council is building and strengthening the processes and systems it needs to support a VFM culture. It has delivered a programme of Gershon efficiency savings in line with targets set although to date there has been a heavy reliance on asset sales rather than improvements to efficiency. Costs are challenged through the budget setting process and councillors are becoming more active in exploring cost efficiencies through overview and scrutiny task groups.</p> <p>To support further improvement, the Council is currently undertaking a fundamental review of its performance management and reporting framework. This includes a rationalisation of corporate priorities that will help inform decisions about the future allocation of resources. A senior management restructuring is under way to improve effectiveness and efficiency.</p>	
<p>Improvement opportunities</p>	
<p>KLOE 5.1 The Council currently achieves good value for money.</p>	<p>Continue to develop sound baseline information on overall costs and those of services, identifying factors that contribute to areas of comparatively high or low spending in relation to levels of performance</p> <p>Raise levels of performance and user satisfaction, especially in priority areas, including achievement of sustainable efficiency gains</p> <p>Ensure resources are consistently targeted at priorities and used to deliver corporate aims.</p>

Value for money

Theme score - 2

KLOE 5.2 The Council manages and improves VFM

Set specific tailored targets and incentives for each service to achieve VFM and track performance against these.

Integrate VFM and efficiency review into performance management, through combined reporting of costs and performance and the integration of VFM into service planning and staff appraisals.

Increase focus on achieving sustainable efficiency savings from more cost effective service delivery rather than reliance on property sales.

Improve analysis of changes in spending decisions on all sectors of the community

Appendix 1 – Criteria which will gain 'must have' status for the next assessment

New criteria in bold type ('must have') for 2006/07 assessment

- 1 This table summarises criteria that are currently included in the KLOE but are not in bold type and do not have 'must have' status, but which will have such status for the 2006/07 assessment.

KLOE	Summary of criteria
Financial reporting	
1.1	Requests for information from audit are dealt with promptly.
1.2	Summary financial information that meet the needs of a range of stakeholders is published and their views are considered in deciding whether to publish an annual report.
Financial management	
2.1	There are arrangements for monitoring cash flow.
2.1	The medium-term financial strategy is communicated to staff and stakeholders.
2.2	Profiled financial monitoring reports are produced within ten days of the month-end.
2.2	The financial performance of significant partnerships is reviewed.
2.2	There is a training programme in place for members and staff on financial issues.
2.3	A member has been allocated portfolio responsibility for asset management and local performance measures in relation to assets have been developed.

KLOE	Summary of criteria
Financial standing	
3.1	Collection and recovery of material categories of income is monitored.
Internal control	
4.1	Appropriate staff are trained in risk management.
4.2	Criterion in relation to effective arrangements for internal financial control, for example, carrying out regular bank reconciliations and reconciliations of major feeder systems.
4.2	Arrangements for carrying out the functions of an audit committee are effective.
4.2	Standing orders, standing financial instructions and system procedure notes are reviewed and updated as appropriate.
4.2	Criterion at level two in relation to business continuity plans as required by the Civil Contingencies Act (2004).
4.2	Governance arrangements are in place for significant partnerships.
4.3	The Council is proactive in raising standards of ethical conduct among members and staff and can demonstrate that counter fraud and corruption work is adequately resourced.