

Use of Resources

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Use of Resources Auditor Judgements 2007

Salisbury District Council

Audit 2007/08

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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 completed at Salisbury District Council and follows the assessment undertaken in January 2007. The timing of the work is in accordance with Audit Commission requirements and this third assessment now aligns with your financial year. It has been a relatively short exercise focussing on issues around the financial year end including arrangements for preparing the annual accounts, year end reconciliations, budget outturn and areas where performance has changed. We have taken account, where appropriate, of findings from the previous exercise. 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 Our assessment is based on the key lines of enquiry for 2007, which 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. Our review has focussed on these additional requirements.
- 4 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

- 5 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.

- 6 The five theme scores for Salisbury District Council are outlined overleaf. These scores are still subject to confirmation by our national quality control process, (although they have been through regional quality control). 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, the Commission will notify you of your Council's overall score for use of resources and supporting theme scores. This is scheduled for 10 December 2007.
- 7 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 2007	Score 2006	Score 2005
Financial reporting	3	3	2
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3	3	2
1.2 The Council promotes external accountability.	3	3	2
Financial management	3	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	3
2.2 The Council manages performance against budgets.	3	3	3
2.3 The Council manages its asset base.	3	3	3
Financial standing	3	3	2
3.1 The Council manages its spending within the available resources.	3	3	2
Internal control	3	3	3
4.1 The Council manages its significant business risks.	3	3	2
4.2 The Council has arrangements in place to maintain a sound system of internal control.	3	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.	3	3	3
Value for money	3	3	3
5.1 The Council currently achieves good value for money.	3	3	3
5.2 The Council manages and improves value for money.	3	3	3

Theme summaries

- 8 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>The 2006/07 accounts were produced and approved in line with the statutory deadlines and were again supported by good working papers. Although a number of changes were made to the income and expenditure account (and notes) and the cash flow statement, to reflect the classification and presentational requirements of the SORP 2006, none of these changes impacted on key figures in the income and expenditure account, balance sheet, housing revenue account or collection fund. An unqualified opinion was issued. The explanatory report accompanying the accounts set out the key changes from the SORP 2006 and highlighted key issues for Members.</p> <p>The Council continues to promote openness and accountability in its financial reporting. Summary accounts were produced, and consulted on, for 2005/06 and 2006/07. The Council continues to consider how to improve financial reporting in all of its publications to external stakeholders.</p>	
Improvement opportunities	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	Continue to have regard to changes in the accounting Statement of Recommended Practice (SORP) and ensure that the accounts presented for audit contain only errors that are clearly trivial.
KLOE 1.2 The Council promotes external accountability.	Continue to work with partners and consider ways to promote further its external financial reporting.

Financial management

Table 4

Theme score 3	
Key findings and conclusions	
<p>The Councils MTFs, budgets and capital programme remain soundly based, although there will be pressures arising from the recent developments on the office centralisation project. The corporate planning and budget setting process ensures that officers, Members and stakeholders are aware of the key issues impacting on the Council's financial management, and have input into the process at an early stage. Arrangements for managing the financial performance of partnerships continue to be strengthened with the implementation of the recommendations from the recent SOLACE review.</p> <p>The asset management plan (AMP) and capital strategy (CS), previously rated good by GOSWA, have been updated annually. The proactive management of the Council's assets has been fundamental to the development of the office centralisation project, which is geared to meeting key objectives of the Council. The Council has also been strong on managing its council housing and more than meets the minimum standards requirements, as highlighted in the CPA review. The Council has some local performance indicators relating to asset use, but these are limited. The Council has recognised there is scope to develop these further, and are aware of the 'new' national indicators being developed in this area. Overall the Council manages its assets well.</p>	
Improvement opportunities	
<p>KLØE 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>Undertake equalities impact assessments of strategies and demonstrate understanding of the effect and impact these, and budget decisions, will have on its diverse population (new Level 2)</p> <p>Regularly review financial management arrangements to ensure remain 'fit for purpose', and keep financial services function under review to consider capacity, resourcing and training needs (new bold Level 3).</p> <p>Further develop the MTFS to describe in financial terms joint plans agreed with partners and other stakeholders (Level 4)</p>

Theme score 3	
KLOE 2.2 The Council manages performance against budgets.	<p>Continue to develop the reporting of financial performance of partnerships (Level 2).</p> <p>Review the effectiveness and leadership with regard to financial management, using the CIPFA model, and take appropriate action to address any areas of weakness (Level 4).</p> <p>Provide accrued financial monitoring reports at appropriate key points during the year (Level 4).</p>
KLOE 2.3 The Council manages its asset base.	<p>Ensure AMP provides clear forward looking strategic goals for property assets that show 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. AMP shows how property assets will be maintained, modernised and rationalised to ensure they are fit for purpose (new Level 3).</p> <p>Maintain a record of all 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 (new Level 3).</p>

Financial standing

Table 5

Theme score 3	
Key findings and conclusions	
<p>In 2006/07, the Council continued to manage its spending within overall budgets and has good arrangements in place to monitor its financial position. As part of the annual corporate planning and budget process the level of reserves and balances is subject to a risk assessment and approved by Members. Regular monitoring of the financial position, and the impact on balances, is an integral part of the quarterly performance management system. The level of reserves and balances at 31 March 2007 was maintained in line with the levels approved by Members, although the Council continues to face significant challenges in the short/medium term.</p>	
Improvement opportunities	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p>	<p>Ensure targets for income collection and recovery of arrears stretch performance and their achievement is monitored with appropriate corrective action taken during the year to achieve targets (new Level 3).</p> <p>Continue to develop arrangements to demonstrate that Members set challenging targets for a comprehensive set of financial health indicators, monitor performance and that there is a good track record of achieving these targets (Level 4).</p> <p>Where balances are in excess of the Council's targets the benefits and opportunity costs of maintaining these levels should be reported (Level 4).</p>

Internal control

Table 6

Theme score 3	
Key findings and conclusions	
<p>Risk management arrangements are well embedded and continue to develop. The Risk Management Policy has been updated and the Audit Committee has received regular reports on a range of risk related issues. Risk management awareness training has been provided for Audit Committee Members and appropriate officers, and is now part of a general programme of training and development for all Members. Risk registers are updated as part of the corporate business planning process. Key partnerships have been identified and risks relating to these have been included in portfolio plans and have been considered as part of the budget setting process. Previously risk management arrangements were embedded at strategic level but are now effective at operational level.</p> <p>The Council's arrangements for maintaining a sound system of internal control are well embedded with a strong assurance framework, which is part of the Council's on line performance management system. There is a scored traffic lights system for all service areas covering business risks, effective use of resources, corporate objectives, effectiveness of key controls and legality and probity. This is summarised in a performance matrix report for the Audit Committee. There is an established Audit Committee, with an independent chair, which provides challenge to the Council.</p> <p>Codes of conduct and whistleblowing arrangements have been in place for a number of years and are subject to continuous review and update. Following an Overview and Scrutiny Review in 2006, the Council has worked with various agencies and has produced a comprehensive training and development programme for Members. This includes key sections on 'Ethics and Code of Conduct' and 'Members Interests'. The Council has also carried out an ethical governance survey of its Members and officers, to identify strengths and areas for improvement in existing governance arrangements. The survey is currently being re-run following the May 2007 elections, to seek the views of new Members.</p>	
Improvement opportunities	
KLOE 4.1 The Council manages its significant business risks.	<p>Ensure arrangements remain embedded, particularly risk management awareness training for appropriate Members and officers (Level 3).</p> <p>Appoint Member champion for risk</p>

Theme score 3	
	<p>management, and link to risk management group (Level 4). Continue to consider positive risks (opportunities) in risk assessment (Level 4).</p>
<p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.</p>	<p>Ensure business continuity plan is regularly reviewed and updated (level 2). Continue work to implement the recommendations of SOLACE and demonstrate governance arrangements are in place for all significant partnerships, and are regularly reviewed and updated (Level 2). Demonstrate an effective scrutiny function to ensure constructive challenge and enhance performance overall (new Level 3).</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>Demonstrate that members of the Standards Committee are preparing for their role in local investigations and determination and there are arrangements in place to support effective local investigations and determinations (new Level 2). Implement new training and development programme for Members (Level 3). Demonstrate that the work of the Standards Committee is communicated openly to a wider public and that where appropriate the Council has taken effective action, learning from issues arising for local investigations and determinations (new Level 3). Effective use is made of NFI matches with prompt investigation, and effective liaison with other bodies such as DWP (new bold Level 3). Demonstrate that Members, officers and agents exhibit high standards of personal conduct (Level 4). Demonstrate that staff, and staff within</p>

Theme score 3	
	contracting organisations, have confidence in the whistleblowing arrangements and feel safe to make a disclosure (new Level 4).

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Value for money

Table 7

Theme score 3	
Key findings and conclusions	
<p>The Council continues to achieve value for money. Overall costs, and those of many services, compare favourably with other similar councils. Spending per head and average Band D council tax remain in the lowest 25 per cent nationally. Performance is generally good in priority areas and overall satisfaction with the Council, and with many services, has increased since 2003/04. But areas of high spend are not consistently in line with priorities and central and democratic costs, and the level of unapportioned overheads, are in the highest 25 per cent nationally. There is a good understanding of the factors that impact on costs, particularly the rural nature of the district and the importance of tourism to the local economy. There is generally a clear relationship between costs and quality but this pattern is not consistent across the Council, with evidence of both high and low cost services delivering good performance and high levels of satisfaction.</p> <p>The Council is strongly committed to managing and improving VFM. Achieving VFM is a core value of the Council and a number of effective processes are in place to challenge VFM and review this over time. There is clear information on costs and how these compare with others and a good understanding of the local factors that contribute to costs. Benchmarking is well developed. Costs are managed alongside quality within an integrated performance framework. VFM is integral to the improvement agenda. Information on costs and performance is regularly reported to managers and Members and is used to drive improved performance and outcomes for users.</p> <p>The Council has integrated efficiency savings into its performance management arrangements and is delivering savings in excess of government targets. Procurement is successfully used to achieve savings and improve outcomes for the community. The Council systematically exploits collaborative and partnership working to secure external funding to support its priorities, secure efficiency savings and improve services.</p> <p>The Council is ambitious and self aware and recognises that it is currently not sustaining improvement as fast as top performing councils and that it needs to do more to systematically ensure equitable access to services for all users.</p>	
Improvement opportunities	
KLOE 5.1 The Council currently achieves good value for money.	Continue to analyse reasons for variations in the comparative cost and performance of services, in particular to

Theme score 3	
	<p>identify and share learning from low cost/high performing services.</p> <p>Continue to address areas of underperformance such as recycling.</p>
<p>KLOE 5.2 The Council manages and improves value for money.</p>	<p>Continue to improve processes and systems to ensure equitable access to services for all users.</p>

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Conclusion

- 9 The 2007 assessment shows that the Council continues to perform well in all areas. However, to maintain this level of performance the Council needs to have regard to developments in the use of resources key lines of enquiry, ensure it keeps pace with developments in the accounting SORP and maintain financial and performance controls. This will be particularly challenging at Salisbury with the current developments on the office centralisation project, and the impact on the Council's finances, and the demands on staff and Members as a result of the current proposals for local government reorganisation in Wiltshire.

Use of resources 2008

- 10 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 has been provided to officers. The changes have been summarised in Appendix 1 and should assist you in pin pointing revised and new requirements relating to the period of assessment 31 March 2008. We will be reporting our scores and findings from our 2008 assessment to you at a similar time next year.
- 11 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.
- 12 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.

Appendix 1 – Changes to UOR key lines of enquiry 2008

- 1 The key changes to the assessment are summarised here.

KLOE	Level	Summary of change
Financial reporting		
1.1	2	An unqualified opinion in the published statements.
1.2	2 , 3	Published information is available to the public in a timely way and in accessible formats in compliance with duties under the equalities legislation.
1.2	4	The annual report or similar document includes information and analysis about a council's environmental footprint.
Financial management		
2.1	2	The impact of strategies is assessed for their impact to comply with duties under the equalities legislation in relation to race, gender and disabilities.
2.3	3	The asset management plan provides strategic and forward looking goals showing how land and buildings will be used to deliver corporate priorities. The council holds accurate information on the efficiency, effectiveness and values of assets, to support decision making on investment and disinvestment in assets.
2.3	4	Asset management and planning is fully integrated with business planning
2.3	4	Asset management is used as an enabler of change. The management of assets is integrated with other local public agencies to identify opportunities for shared use of property and to deliver cross-sector, cross-agency and community-based services to users.
2.3	4	Asset management includes challenge as to whether all assets are fit for purpose, provide value for money and deliver corporate priorities. The council rationalises its holding of property.
Financial standing		

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3.1	3	The approved level of balances is adhered to; the council's financial standing is sound and supports the achievement of its long term objectives.
3.1	3	Targets for income collection and recovery of arrears stretch performance and their achievement is monitored with appropriate corrective action taken during the year to achieve the targets.
Internal control		
4.1	4	Reports which support strategic policy decisions and initiate major projects require a risk assessment which includes an appraisal of the impact on sustainable development.
4.2	3	Effective scrutiny function to ensure challenge and improve performance
4.2		'Statement of internal control' has been replaced with 'governance statement'
4.2	4	Evidence of the viability of significant contractors' / partners' business continuity plans.
4.3	2	Preparation for the role of the standards committee in local investigations and determination.
4.3	3	Publicising the work of the standards committee
4.3	3, 4	Enhanced standards for whistle blowing arrangements, demonstrating employees of contracting organisations are aware of the arrangements and staff have confidence in them.
4.3	4	Application forms have fair processing notification permitting data sharing for prevention and detection of fraud and corruption.
Value for money		
5.1	2,3,4	Descriptors for capital programming have been strengthened by including references to the outcomes of a well managed capital programme, i.e. projects are completed on time, to budget and deliver outcomes which are fit for purpose (and for level 4 – transform services for users and citizens).
5.2	2,3,4	Understanding unit and transaction, as well as, overall costs.
5.2	2, 3, 4	Data quality arrangements should be reliable (level 2) or exemplary (level 4), and including at level 4, an agreed approach with partners. Auditors will rely on the findings of the data quality audit for this descriptor

5.2	2, 3, 4	The descriptor which assesses community needs and impact of decisions on diverse communities has been revised to better reflect statutory requirements on equality impact assessments. It also makes it clearer that reducing inequality in outcomes ought to be integral to a council's drive to improve VFM.
5.2	2, 3, 4	Demonstrating improvements in value for money by tracking performance over recent years.
5.2	2, 3, 4	More emphasis on stronger, longer-term, full cost evaluation, including (at levels 3 and 4) consideration of environmental and social in its assessments of costs and benefits in decision making.
5.2	2, 3, 4	Improving value for money through partnership working, with an understanding of resources at the disposal of partnerships and planned outcomes. There are opportunities to improve value for money (reduce costs or improve outcomes) through better partnership working. Performance reflects differing levels of engagement with partners to improve outcomes.
5.2	2, 3, 4	Use of ICT to improve services, value for money and access to services.

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Auditors report on the Best Value Performance Plan

Salisbury District Council

Audit 2007/08

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

- Audit in the public sector is underpinned by three fundamental principles:
- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

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Authority's responsibilities

- 1 The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements. Under the Local Government Act 1999 (the Act) the Council is required to prepare and publish a best value performance plan summarising the Council's assessments of its performance and position in relation to its statutory duty to make arrangements to secure continuous improvement to the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2 The Council is responsible for the preparation of the plan and for the information and assessments set out within it. The Council is also responsible for establishing appropriate corporate performance management and financial management arrangements from which the information and assessments in its plan are derived. The form and content of the best value performance plan are prescribed in section 6 of the Act and statutory guidance issued by the government.

Auditor's responsibilities

- 3 I am required by section 7 of the Local Government Act 1999 and the Audit Commission's statutory Code of Audit Practice to carry out an audit of the Council's best value performance plan, certify that I have done so, and report:
- any matters that prevent me from concluding that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
 - where appropriate, making any recommendations under section 7 of the Local Government Act 1999.

Report

- 4 I certify that we have audited the Council's best value performance plan in accordance with section 7 of the Local Government Act 1999 and the Audit Commission's statutory Code of Audit Practice.
- 5 In preparing my report I am not required to form a view on the completeness or accuracy of the information or the realism and achievability of the assessments published by the Council. My work, therefore, comprised a review and assessment of the plan and, where appropriate, examination on a test basis of relevant evidence, sufficient to satisfy me that the plan includes those matters prescribed in legislation and statutory guidance and that the arrangements for publishing the plan complied with the requirements of the legislation and statutory guidance.
- 6 I have not identified any matters to report to the authority.
- 7 I have no recommendations to make on procedures in relation to the plan.

Brian Bethell
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30 November 2007