

# **Use of Resources Report 2007**

**Rossendale Borough 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 undertaken at Rossendale Borough Council. Our assessment is based on the key lines of enquiry for 2007. These 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. The period assessed for 2007 has also been aligned with the financial year 2006/07. 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 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.

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**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 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.
- 5 The five theme scores for Rossendale Borough 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**

<b>Key lines of enquiry (KLOEs)</b>	<b>Score 2007</b>	<b>Score 2006</b>
<b>Financial reporting</b>		
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	2	1
1.2 The Council promotes external accountability.	4	3
<b>Financial management</b>		
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.	3	2
2.3 The Council manages its asset base.	2	2
<b>Financial standing</b>		
3.1 The Council manages its spending within the available resources.	2	2
<b>Internal control</b>		
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	2
<b>Value for money</b>		
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

**Table 3**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
<p>Financial reporting arrangements are now performing well. The following improvements have been introduced to ensure adequate arrangements are in place to produce annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers:</p> <ul style="list-style-type: none"> <li>• early preparation and submission for audit of the accounts and revision of accounting policies in response to changes to the CIPFA Statement of recommended practice for 2006; and</li> <li>• improved quality assurance arrangements for reviewing the accounts.</li> </ul> <p>The Council is performing strongly in terms of promoting external accountability. Indeed, the quality of its financial reporting was recognised at the CIPFA/PWC Public Reporting and Accountability Awards 2007 where the Council finished joint runner-up in the 'local organisations with a turnover of less than £50m a year' category.</p>	
<b>Improvement opportunities</b>	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	<p>Continue to develop closedown arrangements to further reduce the number of errors contained in the accounts submitted for audit.</p> <p>Further develop the explanatory report accompanying the accounts submitted to the Accounts Committee for approval, in line with best practice. The report should provide an interpretation of the accounts and highlighting key issues for the benefit of members.</p>
KLOE 1.2 The Council promotes external accountability.	None.

## Financial management

**Table 4**

<b>Theme score 2</b>
<b>Key findings and conclusions</b>
<p>The Council has consolidated its arrangements for managing its asset base and ensuring that the medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.</p> <p>The Council is now performing well in terms of managing its budgets, with improvements made to arrangements for reviewing the financial performance of significant partnerships. Robust arrangements are in place for monitoring services provided by Capita, which we understand will be used as a basis of monitoring services provided by Rossendale Leisure Trust.</p> <p>Asset management is developing at Rossendale. An up-to-date Capital Strategy is in place, and the Asset Management Plan (AMP) has been completely rewritten to incorporate up to date information on building conditions. The AMP has been assessed as 'Good' by Government Office North-West (GONW) and was approved by the Cabinet on January 24 2007.</p> <p>A joint review of land and property holdings with the County Council is incorporated in both corporate and business plans for 2007/08. The Asset Register reflects the outcomes from the latest property surveys, and a project plan is in place to implement the Asset Manager.net property records system. Once this system is fully deployed, it will be used to develop an approach for the co-ordination of the Council's asset management information and its integration with relevant organisational financial information.</p> <p>The corporate estates and property function has been restructured, and a dedicated and qualified Property Services Manager has been appointed. All capital projects are subject to a formal and objective approval process and all investment and disposal decisions are based on thorough option appraisal and 'whole-life' costing. Progress on the capital programme and on the achievement of capital receipts targets is regularly reported to elected Members.</p> <p>The first year of the planned maintenance programme was delivered during 2006/07, and plans were put in place to tender for technical advisers to manage the programme on the Council's behalf. This is intended to ensure easy access to the required technical skills, and to achieve better value for money through the whole contract cycle. A backlog maintenance programme is included in the AMP, a contract is now in operation to carry out this work, and increased budgetary provision has been made to reflect the scale and priority of the work involved.</p>

<b>Theme score 2</b>	
<b>Improvement opportunities</b>	
<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>Build sensitivity analysis into the development of the corporate strategy and gather more explicit evidence of stakeholder consultation.</p> <p>Develop linkages between the MTFS and other internal strategies and plans as appropriate, eg human resources and IT.</p>
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>Further develop budget monitoring arrangements through the greater use of risk assessment techniques and by relating them, where appropriate, to operational activity indicators that are lead indicators of spend.</p> <p>Expand arrangements for monitoring the financial performance of all relevant partnerships.</p> <p>Test financial systems on a regular basis to ensure report outputs are timely, accurate, reliable, and clear, in a convenient format to be readily understood by their recipients.</p> <p>Review the effectiveness of the Cabinet and the leadership it provides with regard to financial management, taking appropriate action to address areas of weakness.</p> <p>Further develop 'traffic light' system (or similar) to focus Cabinet on key variances, supported by evidence of corrective action.</p> <p>Strengthen the accrued financial monitoring reports provided to Cabinet by including balance sheet items at appropriate key points during the year.</p> <p>Develop financial information systems to further meet user needs by consulting with users, and providing them with advice and training.</p>



<b>Theme score 2</b>	
	<p>Profile savings and efficiency gains over the year and provide members with monitoring information throughout the period to ensure their achievement.</p>
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>Agree a set of local performance measures in relation to assets.</p> <p>Use the information obtained from national and local asset management PIs, together with that obtained through benchmarking exercises, to describe and evaluate the contribution that the Council's assets make to the achievement of its corporate and service objectives and improvement priorities.</p> <p>Ensure that the results of such evaluations are communicated effectively to all relevant stakeholders.</p> <p>Ensure that asset management information is effectively co-ordinated with relevant organisational financial information, in order to provide a complete picture of the performance of the Council's asset base.</p>

## Financial standing

**Table 5**

<b>Theme score 2</b>	
<b>Key findings and conclusions</b>	
<p>The Council has consolidated its arrangements for ensuring that spending is managed within the available resources. The Council has strengthened arrangements for setting and monitoring targets for collection and recovery of arrears for Council Tax and NNDR, as part of the agreement with Capita for delivery of these services.</p> <p>In addition, monitoring information is now available that evaluates the effectiveness of recovery actions, associated costs, and the cost of not recovering debt promptly. Further improvements in collection rates and arrears levels for these and other significant sources of income are required to demonstrate that arrangements have become embedded.</p>	
<b>Improvement opportunities</b>	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p>	<p>Set and monitor targets for collection and recovery of arrears of all significant categories of income.</p> <p>Continue to review monitoring information that evaluates the effectiveness of recovery actions, associated costs, and the cost of not recovering debt promptly for material categories of income.</p>

## Internal control

**Table 6**

<b>Theme score 2</b>	
<b>Key findings and conclusions</b>	
<p>Following the change in the assessment period, there has been limited opportunity for the Council to strengthen arrangements relating to internal control in time to be considered as part of this assessment. However, the following improvements have been made:</p> <ul style="list-style-type: none"> <li>• evaluation of all significant partnerships, including risk management arrangements; and</li> <li>• introduction of business continuity plans across all service areas.</li> </ul>	
<b>Improvement opportunities</b>	
<p>KLOE 4.1 The Council manages its significant business risks.</p>	<p>Further strengthen risk management arrangements by linking risks to individual strategic objectives.</p> <p>Further enhance risk management arrangements in relation to significant partnerships through the development of joint risk registers and application of partnership risk management toolkits such as that developed by HM Treasury.</p> <p>Review provision of training and guidance for all appropriate staff to enable them to take responsibility for managing risk within their own working environment.</p> <p>Review provision of risk management awareness training for members on a regular basis, especially for those with specific responsibility for risk management.</p> <p>Ensure that responsibility for risk management is properly reflected in the terms of reference of the relevant committee.</p>

<b>Theme score 2</b>	
<p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.</p>	<p>Ensure that the relevant portfolio holders certify service statements of assurance on internal control to better evidence member review of the sources of assurance which support the Statement on Internal Control.</p> <p>Continue to develop arrangements for business continuity planning to demonstrate that they are effective.</p> <p>Develop corporate arrangements for reviewing policies and procedures, including financial procedures.</p> <p>Undertake a more detailed assessment of governance arrangements for significant partnerships by reviewing them against best practice.</p> <p>Strengthen the system of internal financial control by addressing weaknesses in the adequacy and effectiveness of system controls for the cash and banking and debt recovery systems.</p> <p>Ensure compliance with standing orders, standing financial Instructions and the scheme of delegation is monitored by management with appropriate action taken where breaches are identified.</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>Strengthen arrangements to ensure that parties contracting with the Council are aware of the Whistleblowing policy.</p> <p>Ensure members understand and comply with procedures around the need to declare gifts and hospitality.</p> <p>Review registers of interests and of gifts and hospitality on a regular basis to ensure members and staff are making appropriate disclosures.</p> <p>Ensure all proactive counter fraud and corruption work is determined by a formal risk assessment and is adequately resourced.</p>

## Value for money

**Table 7**

<p><b>Theme score 2</b></p>
<p><b>Key findings and conclusions</b></p> <p>Rossendale's average Band D Council Tax is among the highest of any District Council in the country and the Council remains a relatively high-cost Authority, particularly in relation to the other Lancashire Districts, despite having broadly similar levels of deprivation to them. However, its 2006/07 Council Tax increase was one of the lowest nationally and the Council plans to restrict Council Tax rises to no more than 3 per cent for the foreseeable future.</p> <p>A historic lack of key external financial support, for example, Neighbourhood Renewal Funding, goes some way to explaining the Council's high Council Tax and cost base. The Council has a good basic understanding of other external factors that have an impact on its costs and spending.</p> <p>Areas of higher spending generally reflect key priorities of elected Members. There is evidence of good levels of performance being delivered in some priority areas such as increased recycling, reduced volumes of waste collected, improved performance in the Revenues and Benefits service, and crime reduction. The capital programme also reflects the Council's policy decisions and priorities, and new investment has resulted in service improvements.</p> <p>While the Council's level of unapportioned central overheads has reduced this year, it remains high in relation to District Councils generally. The reasons for this are well-understood and relate mainly to the costs of surplus properties, unused IT facilities and pensions. The BVACOP prevents such costs from being re-charged to services. The Council intends to carry out a full review of its central overheads in 2008/09.</p> <p>The Council's performance in relation to its key performance indicators has improved faster than that of most other Councils, both in the last year and over a three-year period. However the number of top-performing indicators remains low compared to the national District Council average, and performance remains mixed across a range of services. While overall levels of public satisfaction have shown a significant improvement in recent years, these remain low for cleanliness and most leisure and cultural services despite relatively high spending in areas such as street cleansing, parks and open spaces.</p> <p>The Council has a good general understanding of its service costs, spending patterns and performance issues, and is building up its detailed knowledge of its costs and how these compare to those of other Councils. Cost and performance data is used to review and challenge value for money in certain areas, but this is not yet happening across all services.</p>

**Theme score 2**

Unit cost data is still unavailable in some key operational areas, due mainly to problems with the collection of certain types of activity data. Benchmarking of both costs and service quality remain areas for further development.

The Council's Performance Management reporting system (COVALENT) brings together some information on cost and quality as well as performance against key BVPIs and corporate plan objectives. Members receive quarterly budget and performance management reports, while managers receive monthly COVALENT reports which identify significant variances against key performance indicators (KPIs) and local performance indicators (LPIs). The Council has also put in place some effective arrangements for challenging costs, performance and quality, including an Improvement Planning process that is underpinned by a rolling programme of fundamental service review. The corporate management framework has been strengthened by the creation of new Boards, to better co-ordinate and manage, efficiency and VFM activity across the Council. Member involvement in reviewing and challenging service performance is also improving, helped by a recent reorganisation of the Scrutiny function. However there is a lack of consistent reporting on wider VFM issues and the use of specific VFM targets and indicators is also not yet evident in all areas.

The Council has also made good progress in the following areas:

- linking the improvement planning process to business and financial planning processes;
- the use of IT solutions to secure service efficiencies; and
- ensuring that all staff received a performance appraisal during 2006/07.

The Council has exceeded its corporate savings targets in relation to Gershon efficiencies, but the lack of unit costs in key operational areas such as procurement, asset management and IT is restricting its ability to measure ongoing efficiencies in these areas. The Council has also achieved service efficiencies and made useful savings through improved procurement; although limited information is available concerning off-contract spend. There is a strong emphasis on the use of joint procurement, and on the sustainability agenda.

The Council continues to make good use of external funding opportunities, particularly to help address historic deprivation issues in the Borough through the ELEVATE programme. Longer-term revenue and capital implications of the use of such funding, such as staffing implications when it expires, have also been adequately addressed through the use of business cases.

**Improvement opportunities**

KLOE 5.1 The Council currently achieves good value for money.

Examine the reasons for the current high costs of and/or low level of public satisfaction with the street cleaning, leisure and cultural services, and take appropriate corrective action.

<b>Theme score 2</b>	
<p>KLOE 5.2 The Council manages and improves value for money.</p>	<p>Introduce efficiency and VFM targets for all service areas.</p> <p>Develop a benchmarking strategy, and designate a senior officer to be responsible for its effective implementation.</p> <p>Develop unit cost data to inform future VFM and efficiency reviews.</p> <p>Develop a system to identify and monitor levels of 'off-contract' spending on all procurement contracts.</p>

## Conclusion

- 7 The Council continues to demonstrate its commitment to improving arrangements for managing and using its resources, with financial reporting arrangements now performing well. Elsewhere, there has been limited opportunity for the Council to strengthen arrangements following the change in the assessment period, particularly in relation to internal control. Nevertheless, the Council is now performing well in terms of managing its budgets and otherwise has consolidated its position by ensuring that adequate arrangements are in place in respect of all new 'must have' requirements.

## Use of resources 2008

- 8 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 should assist you in pin pointing the changes. We will be reporting our scores and findings from our 2008 assessment to you at a similar time next year.
- 9 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.
- 10 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 – Key lines of enquiry 2008

**Table 8 Changes to the UOR key lines of enquiry 2008**

The key changes to the assessment are summarised here.

KLOE	Level	Summary of change
<b>Financial reporting</b>		
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.
<b>Financial management</b>		
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.

KLOE	Level	Summary of change
<b>Financial standing</b>		
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.
<b>Internal control</b>		
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.