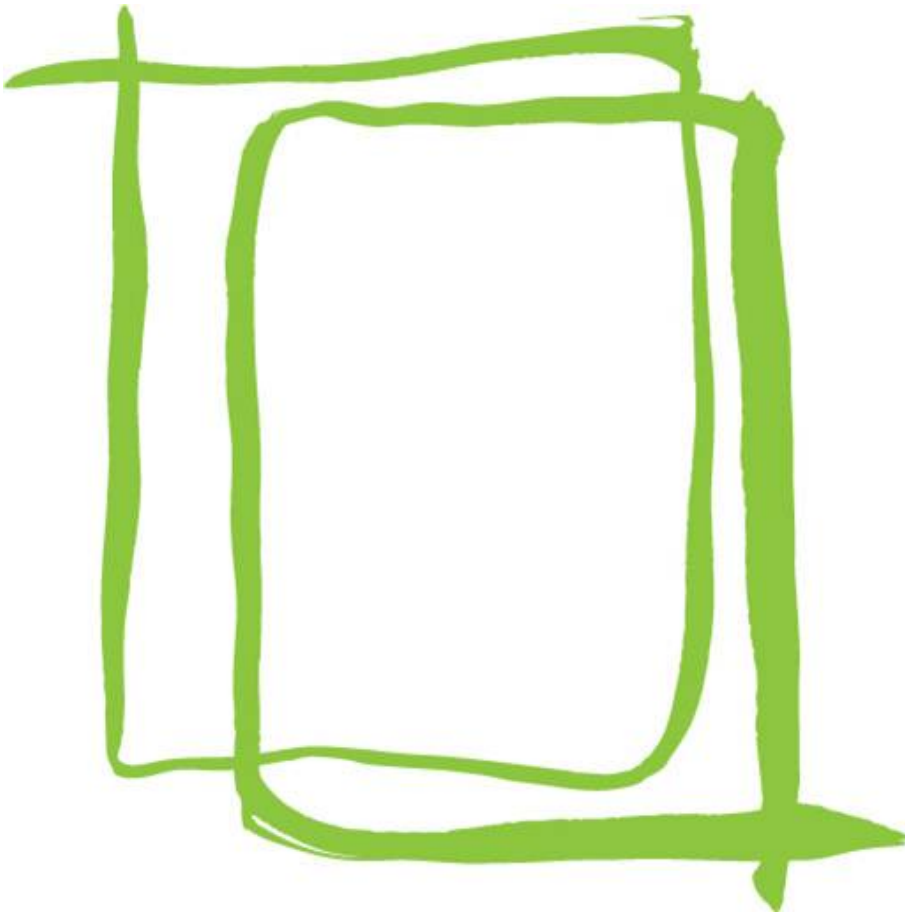


Use of Resources

Rossendale Borough Council

Audit 2008/09

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:

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Introduction

- 1 The Use of Resources assessment evaluates how well councils manage and use their resources. This is the fourth assessment carried out at the Council and is the last under the CPA framework. Next year there will be a new assessment which will form part of the Comprehensive Area Assessment. The assessment of Use of Resources 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 under CAA, smoothing the transition to CAA.
- 3 The overall use of resources assessment for 2008 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 The five theme scores for Rossendale Borough Council are outlined overleaf. These scores are still subject to confirmation by our national quality control process. This seeks to ensure consistency across all suppliers and on a national basis. Consequently we are informing you that the scores reported here may change as a result of national quality control and should not be taken to be final. Following completion of national quality control, the Commission will notify you of your Council's overall score for use of resources and supporting the theme scores. This is scheduled for 8 December 2008.
- 6 This summary sets out our key findings in relation our assessment for each theme for 2008 UoR. There will be entirely new basis UOR assessment for 2008/09 which forms part of the Comprehensive Area Assessment framework. Consequently we have not included comments in our finding this year regarding what is needed for a council to move up to the next level of performance.

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	2	3
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.	3	4
Financial management	3	2
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	3	2
2.2 The Council manages performance against budgets.	3	3
2.3 The Council manages its asset base.	2	2
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.	3	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
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

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

Financial reporting

Theme score 2	
Key findings and conclusions	
The overall score for Financial reporting is reduced from last year because, whilst the Council continues to perform well in terms of promoting external accountability, no further notable practice in respect of KLOE1.2 was highlighted.	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	The arrangements for the preparation of the accounts continue to show improvement. The accounts were supported by comprehensive working papers and an improved system for dealing with audit queries had been put in place. There were also improvements noted the explanation of the accounts to members and in their challenge of the accounts. However the accounts submitted for audit included a small number of errors, including one material misstatement. Also, additional Financial Instrument disclosures needed to be added to the accounts during the course of the audit.
KLOE 1.2 The Council promotes external accountability. Reduced to level 3	Whilst we have confirmed that the standard external reporting remains relatively high, the Council has not been able to point to any new notable practice, therefore level 4 cannot be sustained.

Financial management

Theme score 3	
Key findings and conclusions	
<p>The overall score for Financial management has increased due the improvement noted in respect of KLOE 2.1</p> <p>The Council's arrangements for managing its asset base are improving but not as quickly as planned and further improvements are still required in key areas.</p>	
<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>Increased to level 3</p>	<p>Our review in 2008 identified that the Council had implemented the following improvements:</p> <ul style="list-style-type: none"> • sensitivity analysis is now built into the Corporate business plan and the Medium Term Financial Strategy (MTFS); • external stakeholders have been consulted on the corporate plan; and • there are linkages between the MTFS and other internal strategies.
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>The Council continues to plan and manage its finances well. The Council's financial information systems have flexible reporting tools to enable specialist reports to be designed which enable:</p> <ul style="list-style-type: none"> • profiled budget reports to be provided to budget holders soon after the month end enabling managers to respond to issues in a timely manner; and • appropriate member committees receive timely and accurate budget information. <p>Progress in achieving planned savings and efficiency gains is regularly reported to senior management with developed action plans. There is a regular training programme providing training on financial issues for members and relevant non-finance staff.</p>

Financial management (continued)

Theme score 3	
Key findings and conclusions	
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>The Council has invested in the development of its asset management arrangements, including procurement of a new asset management system. However, progress to populate data into the asset management system, which was initially introduced in 2006, has been slow. During 2007/08 the basic records in the database were only 40 per cent complete. This has now been increased to 80 per cent following further work during the summer of 2008.</p> <p>It will not be possible to derive the benefits of the investment in the asset management system until it is fully operational and the functionality developed and utilised. However, once the system is fully developed it should provide the foundation to support action to drive forward asset management to assist the VFM agenda.</p> <p>A planned maintenance programme was established in 2006 to address the backlog with relevant funds approved over a three-year period. However, progress to undertake the work has been delayed whilst a contract for technical advisers to manage the programme on behalf of the Council is put in place. Action has subsequently been taken to accelerate the work programme.</p>

Financial standing

Theme score 2	
Key findings and conclusions	
The overall score for Financial Standing remains unchanged from our previous assessment.	
KLOE 3.1 The Council manages its spending within the available resources.	<p>The Council set a balanced budget in 2007/08 and maintained spending within that budget. It monitors and maintains its levels of reserves and balances within the range determined by its agreed policy is based on a thorough understanding of its needs and risks. The Council keeps its treasury management strategy under review each year.</p> <p>However, we noted that better evidence was required to document that the following were embedded:</p> <ul style="list-style-type: none">• recovery actions were targeted based on reviews of past effectiveness;• targets for income collection and recovery of arrears stretch performance; and• achievement is monitored with appropriate corrective action taken during the year to achieve the targets.

Internal control

Theme score 2	
Key findings and conclusions	
Whilst the overall score for internal control remains the same as last year, we noted that risk management arrangements (KLOE 4.1) had be strengthened.	
<p>KLOE 4.1 The Council manages its significant business risks.</p> <p>Increased to level 3</p>	<p>During 2007/08 the Council has further embedded risk management through the full role out of Covalent (Performance and Risk Management software). This system enables it to monitor and manage corporate objectives, business risks and performance and quarterly monitoring reports are submitted to Members. The Council further improved its arrangements by investing resources in assessing the risks presented by significant partnerships and keeping these under regular review.</p>
<p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.</p>	<p>The Council continues to have adequate arrangements in place to maintain a sound system of internal control. The Councils internal audit function, currently supplied by Lancashire County Council, operates in accordance with the CIPFA code of internal practice in local government. There are standing orders, standing financial instructions and a scheme of delegation in place and these are reviewed and updated as appropriate. There are procedures in place to ensure a sound system of internal financial control with regular bank reconciliations and reconciliations of major feeder systems.</p> <p>We found no evidence that:</p> <ul style="list-style-type: none"> the Council can demonstrate that it is effectively delivering the core functions of an audit committee, as identified in the CIPFA guidance; and compliance with standing orders, standing financial Instructions and the scheme of delegation is monitored by management.

Internal control (continued)

Theme score 2	
Key findings and conclusions	
<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>The Council's arrangements for to promote and ensure probity and propriety in the conduct of its business remain adequate. Codes of conduct have been adopted for both officers and members. Appropriate arrangements are in place to receive and investigate allegations of breaches of proper standards of financial conduct, and of fraud and corruption. The whistleblowing policy is publicised and demonstrates the Council's commitment to providing support to whistleblowers.</p> <p>To achieve a higher score further evidence was needed confirming:</p> <ul style="list-style-type: none">• the Council undertakes proactive counter fraud and corruption work which is determined by a formal risk assessment;• the Council can demonstrate that counter fraud and corruption work is adequately resourced; and• investigations into allegations of fraud and corruption are conducted in accordance with statutory requirements, eg Police and Criminal Evidence Act, Regulation of Investigatory.

Value for money

Theme score 2	
Key findings and conclusions	
Overall, the Council is committed to achieve good value for money and can demonstrate improvements in some key priority areas already. However, further work is required to better understand and improve all high cost/low performing services.	
KLOE 5.1 The Council currently achieves good value for money.	<p>The Council is clear on its priorities with good service planning arrangements in place. Financial implications of strategic and service planning are accounted for in the MTFS. Resources are strategically re-allocated in line with priorities, with focus on improving street scene through Neighbourhood Environmental Action Teams (NEATs) and waste collection services.</p> <p>There is evidence of good or improving levels of performance being delivered in priority areas such as increased recycling, reduced volumes of waste collected, improved performance in the Revenues and Benefits service and Council Tax performance, and crime reduction.</p> <p>However, the Council continues to have a number of key services which are high cost and more importantly where cost and performance are not in line eg street cleansing, waste collection, parks and open spaces. Officers have partly explained this through reference to policy decisions and local factors such as historic legacy issue of major parks in each main town.</p> <p>Particular attention is given to high cost services during budget setting and the updating of the MTFS. However, it is recognised that more work is needed to obtain a better understanding of the issues behind such data, for instance by using benchmarking techniques to identify where improvements in cost and performance can be made. The Council has recently started to obtain data from CIPFA which will allow corporate functions to be benchmarked against other organisations in the wider public sector, including 'nearest neighbour' Councils.</p>

Value for money (continued)

Theme score 2	
Key findings and conclusions	
<p>KLOE 5.2 The Council manages and improves value for money.</p>	<p>In recent years the Council has concentrated on internal recovery to address being judged one of the poorest councils in the country in 2004. The fruits of this effort are evidenced in the move from being a 'poor' Council to achieving a 'good' rating for the CPA assessment in 2007. It was recognised the Council is developing its approach to improving VFM, which was assessed as 'adequate' by that review.</p> <p>Since our UoR review last year the arrangements in place have broadly remained the same. The Council has limited capacity and has concentrated on corporate themes such as the reorganisation of senior management. Also, the Lead Officer for VFM has been involved in the Team Lancashire initiative. This is intended to bring about closer working between councils in Lancashire which should provide VFM benefits in future, however, in the short-term this has reduced the capacity of the Council.</p> <p>The Council's strong performance culture and systems should ensure that attention is given to under performing services. Performance management in conjunction with data quality arrangements have continued to improve in the year under review. However, more work is needed to routinely focus on VFM, for instance by the use of specific VFM targets and indicators. This could be implemented as an enhancement to the integrated financial and performance reporting process.</p>

Conclusion

- 8 Overall the Council's assessment remains at level 2 demonstrating adequate performance but level 3 performance has been demonstrated for Financial Management.

Use of resources 2008/09

- 9 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).
- 10 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.
- 11 The assessment is structured into three themes.
- Managing finances: sound and strategic financial management.
 - Governing the business: strategic commissioning and good governance.
 - Managing resources: effective management of natural resources, assets and people.
- 12 The approach to use of resources will continue to be risk based and proportionate, drawing on evidence from previous years where relevant. Not all key lines of enquiry in the managing resources theme will be assessed each year. For district councils, auditors will assess work force planning.
- 13 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.

The Audit Commission

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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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