



## **1. Introduction**

- 1.1 The Use of Resources assessment forms part of the CPA assessment of the Council, the overall results of which will be announced in February 2007. The review covers five areas; financial reporting, financial standing, financial management, internal control and value for money.
- 1.2 The criteria adopted to judge Use of Resources are significant for a number of reasons. As well as forming part of the overall CPA assessment, the criteria represent important control dimensions which need to be considered in the Councils annual review of internal control and in the production of the Statement of Internal Control included within the Accounts. Several of the criteria also represent important elements in assessing whether or not the Council provides value for money in the delivery of its services.
- 1.3 The White Paper "Strong and Prosperous Communities" published by the Government in 2006 outlines the intention to change the arrangements for CPA to a Comprehensive Area Assessment (CAA) from April 2009 but in fact emphasises that the Use of Resources assessment will be "*retained and developed to include commissioning and procurement*". In addition, the White Paper includes significant emphasis on efficiency and again reflects that the Use of Resources assessment will be developed "*to provide robust assurance about Council effectiveness and Council performance in delivering efficiency*". Given these statements it is clear that the Use of Resources assessment will continue to be a significant element in how the effectiveness of the Council is judged and the Council needs to continue its drive to improve.
- 1.4 This report provides details of the Audit Commission assessment for 2006, compared against 2005, outlines a number of challenges which will need to be faced as part of the 2007 assessment and gives details of the continuing work programme to improve the Council's arrangements for the management of resources.

## **2. The Use of Resources Overall Assessment**

- 2.1 Within the five areas covered by the assessment there are individual key lines of enquiry (KLoE's) backed up by more specific individual criteria, many of which the Audit Commission consider to be mandatory. A score of one represents inadequate performance, two represents adequate performance and three performing well.
- 2.2 There are 11 key lines of enquiry and the Audit Commission assessed nine of these at level two and two as level three leading to an overall assessment of level two. The Audit Commission report outlining these scores together with their feedback commentary is attached at Appendix 1.
- 2.3 These scores represent a significant improvement over the 2005 assessment because that assessment included three level one scores (closure of the Accounts, asset management and risk management) which have all now been

improved to level two. Moreover, the feedback from the Audit commission generally reflects a strengthening of arrangements across all areas.

### **3. Improving the Use of Resources Assessment for 2007.**

3.1 Clearly it remains important to improve this assessment to achieve at least an overall assessment of level three demonstrating the Council is performing well in how it uses the resources it has available. However, there are some specific challenges which will need to be addressed in seeking to make further progress.

3.2 In reviewing the methodology for 2007, the Audit Commission has made two particular changes which affects the assessment and has proposed a third.

- For 2007 further criteria have been made mandatory within the assessment at level two and three. These are outlined in the report in Appendix 1, the most significant of which relate to the relationship with the Councils “significant partners”
- For 2007 the evidence on which the Auditors can rely can only relate to measures taken up to 31 March 2007 (the end of the financial year) as opposed to, in 2006, up to the point of the completion of the audit of the Council’s accounts in the Autumn. Any action to improve the score will therefore need to be completed in the next two months.
- The Audit Commission has proposed a rules based change which means that unless Councils score a level 3 for value for money they will be limited to a level 2 score overall. Furthermore, because the two VFM KLoE’s are weighted, effectively a score of three has to be achieved for KLoE 5.1 “*The Council currently achieves good value for money*”. Guidance to support the 2007 assessment is soon to be published which should confirm whether or not this change is to apply.

3.3 In addition to the changes in the methodology adopted by the Audit Commission the Council faces some internal challenges.

- The score of three given for Financial Standing in 2006 largely reflected the Council sound overall financial position. This year, along with many other Councils, there has been significant pressure on the Councils finances both in relation to equal pay settlements and more general budget pressures. It is inevitable that the District Auditor will need to review his assessment having regard to these developments.
- The introduction of new financial systems designed to deliver significant improvements in financial reporting and management has been subject to an extended period of stabilization reflecting both the significant scale of change to systems but also the significant change in culture arising from the replacement of systems, some of which were 30 years old. The implications

of these changes will need to be assessed by the District Auditor both in terms of budgetary control and in relation to the closure of the Accounts

- 3.4 While progress is being made across the board in relation to Use of Resources judgment criteria, the above section has highlighted that 2007 is likely to be challenging. The Action Plan designed to address improvement for the 2006 assessment anticipated changes to the 2007 regime. The Plan is subject to periodic review by the Head of Financial Management and the Head of Audit and Risk Management and remains current
- 3.5 Significant progress is being made in relation to Asset Management, risk management and Value for Money and the Council's new Business Planning process forms a key driver in delivering integrated improvement across a range of areas contained within the Use of Resources assessment. In addition we are working closely with Audit Commission colleagues to explain how improvements are being implemented and they are assisting us in assessing, in particular, how risk management is developing. A separate report on risk management is included on the Agenda.
- 3.6 Further progress will be reported to Audit Committee in June 2007 as part of the annual assessment of Internal Control. Members are requested to note the improvement in the Use of Resources assessment from 2006 and the ongoing programme of work to deliver further improvements in how resources are controlled.