
| | | |
|--------------------------------|---|---|
| REPORT TO: | AUDIT SUB-COMMITTEE | AGENDA ITEM: 10 |
| DATE OF MEETING: | 21st JUNE 2007 | CATEGORY: DELEGATED |
| REPORT FROM: | DIRECTOR OF CORPORATE SERVICES | OPEN |
| MEMBERS' CONTACT POINT: | KEVIN STACKHOUSE (595811) | DOC: u/ks/audit committee/june07/uor covering report |
| SUBJECT: | USE OF RESOURCES ASSESSMENT 2006 | REF: |
| WARD (S) AFFECTED: | ALL | TERMS OF REFERENCE: |

1.0 Recommendations

- 1.1 That the Audit Commission's Use of Resources Assessment for the Council for 2006 is considered and noted.
- 1.2 That the action plan to sustain the improved performance at Level 3 and to meet new requirements is considered and noted.

2.0 Purpose of Report

- 2.1 In accordance with its Terms of Reference, the Committee is asked to consider the Audit Commission's Use of Resources (UOR) assessment for the Council in 2006.
- 2.2 In addition, it is asked to review the action plan to meet new requirements in 2007, to bring lower scores up, and therefore, to sustain and consolidate performance at Level 3 overall.
- 2.3 The report and action plan was considered and approved by the Finance and Management Committee at its meeting on 21st June 2007.

3.0 Detail

Background

- 3.1 The Use of Resources (UOR) is an annual assessment undertaken by the Audit Commission. Essentially, it evaluates how well councils manage and use their financial resources.

- 3.2 It is used by the Audit Commission as one of the indicators that judges the degree of improvements being made at an authority. As such, it is part of the national Comprehensive Performance framework.
- 3.3 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. The assessment covers 5 themes.
- 3.4 The first 3 themes cover financial reporting, financial management and financial standing; a further 2 themes cover the wider aspects of internal control and to what extent and how authorities manage value for money.
- 3.5 Scoring is based on the following scale.
- 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
- 3.6 The Council scored an overall 2 in 2005. Consequently, the Council agreed an action plan in May 2006, to move the Council to an overall 3.
- 3.7 During November 2006, the Audit Commission reviewed the Council and the improvements made since the previous assessment. Their final report in March 2007, confirmed the overall score for the Council as a 3. The scores for 2006, with a comparison to 2005 are shown in the following table.

Scores for Each Theme

| Key Lines of Enquiry (KLOE) | 2005 Score | 2006 Score |
|---|------------|------------|
| Theme 1 - Financial Reporting | | |
| • The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers | 2 | 1 |
| • The Council promotes external accountability | 2 | 3 |
| Overall Score – Financial Reporting | 2 | 2 |
| Theme 2 - Financial Management | | |
| • The Council's medium-term financial strategy, budgets and capital programmes are soundly based and designed to deliver its strategic priorities | 3 | 3 |
| • The Council manages performance against budgets | 3 | 3 |
| • The Council manages its asset base | 1 | 3 |
| Overall Score – Financial Management | 2 | 3 |

| | | |
|--|------------------|------------------|
| Theme 3 - Financial Standing <ul style="list-style-type: none"> The Council manages spending within the available resources | 2 | 3 |
| Theme 4 - Internal Control <ul style="list-style-type: none"> The Council manages its significant business risks The Council has arrangements in place to maintain a sound system of internal control The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business Overall Score – Internal Control | 2 3 2 2 | 3 3 3 3 |
| Theme 5 - Value for Money <ul style="list-style-type: none"> The Council currently achieves good value for money The Council manages and improves value for money Overall Score – Value for Money | 2 2 2 | 2 3 2 |

Calculating the Overall Score

3.8 The overall score for each theme is then assessed against the criteria shown in the following table.

| | |
|--|---|
| At least two 4's and no other scores below 3 | 4 |
| At least three 3's and no score below 2 | 3 |
| At least three 2's | 2 |
| Any other combination | 1 |

3.9 Based on this (three 3's and two 2's) the Council's final score overall moved from a 2 to a 3 in 2006, i.e. consistently above minimum requirements – performing well.

3.10 The biggest improvement was made in asset management, along with risk management and internal audit. The Council's value for money arrangements also improved but due to how scoring is weighted in this area, is still only a 2 overall.

3.11 Good performance in financial management was maintained which included adopting additional requirements between 2005 and 2006.

3.12 The only weak area was in the production of the annual statement of accounts, where performance in fact fell to a level 1. The accounts were once again closed and financial statements produced within statutory timescales.

3.13 Although they were given an unqualified opinion by external audit, this was after they had corrected several material errors in the draft accounts.

The 2007 assessment

- 3.14 The 2007 assessment has introduced further requirements over and above 2006 just to maintain levels 2 and 3. This is in accordance with the Audit Commission's strategy to increase the stiffness of the test each year
- 3.15 In their assessment report for 2006, the Audit Commission suggested improvements to move the Council's lower scores upwards and to meet the new requirements.
- 3.16 The timing of the assessment has also changed and is being aligned with financial years. The 2007 assessment will be based on arrangements in place as at 31st March 2007, although auditors do have some discretion to allow improvements after then if the Council can prove "embeddedness."
- 3.17 Consequently, the 2007 assessment will be reported earlier, in December 2007.
- 3.18 In order to meet these requirements an action plan has been established. This is detailed in the attached **Appendix**. This plan also reflects the work needed to improve the overall scores for financial reporting and value for money from a 2 to a 3.
- 3.19 In almost every area, the Council already meets the new requirements, but in some instances is expected to provide further evidence of the impact and outcomes of some of the criteria. The action plan reflects this.
- 3.20 It is considered that these actions will maintain and consolidate the Council's score at level 3 for all categories.

2008 Assessment

- 3.21 The Audit Commission has recently issued a consultation paper to increase further the requirements for 2008 (it will be based on the financial year 2007/08). This will be the last year of the UOR in its current guise due to the introduction of Comprehensive Area Assessments (CAA) from 2009.
- 3.22 The 2008 assessment is being seen as a transition year before the new CAA is introduced and is designed to address areas signalled in the Government's recent White Paper. Consequently, areas subject to a keener focus include:
- Partnership working and joint procurement
 - Citizen engagement
 - Sustainability
 - Data quality
 - Asset management
 - Efficiency
- 3.23 The Commission also propose to continue the process of gradually raising the bar, particularly at those levels (3 and 4) that exceed minimum requirements. The final lines of enquiry will be published in July 2007, providing councils with

time to prepare for the assessment that will be undertaken between April and October 2008.

4.0 Financial Implications

4.1 None associated directly with this report.

5.0 Corporate Implications

5.1 None associated directly with this report.

6.0 Community Implications

6.1 None associated directly with this report.

7.0 Background Papers

- Use of Resources Auditor Judgements 2006 (Audit Commission, March 2007).
- Key Lines of Enquiry for Use of Resources 2007 (Audit Commission, November 2006)
- Use of Resources Guidance for Councils 2007 Assessments (Audit Commission, February 2007)
- Use of Resources – Consultation on proposals for assessments taking place in 2008 (Audit Commission, April 2008).