

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

- Further consideration by this Committee
- To Council
- To Cabinet
- To an O & S Committee
- To an Area Committee
- Further Consultation

Agenda No 8

Audit & Standards Committee - 24th February 2009.

2007/08 Use of Resources Assessment

Report of the Strategic Director, Resources

Recommendation

That the Committee notes the Audit Commission's 2007/08 Use of Resources Assessment.

1. Introduction

- 1.1 The Council's internal auditors are required to carry out an annual Use of Resources assessment as part of the CPA National framework. The assessment evaluates how well the Council manages and uses its resources.
- 1.2 For 2007/08 the Council was assessed as being Level 4, the highest level. Attached is the Audit Commission's assessment report. A representative from the Audit Commission will attend the meeting of the Audit & Standards Committee to answer any questions relating to this assessment.

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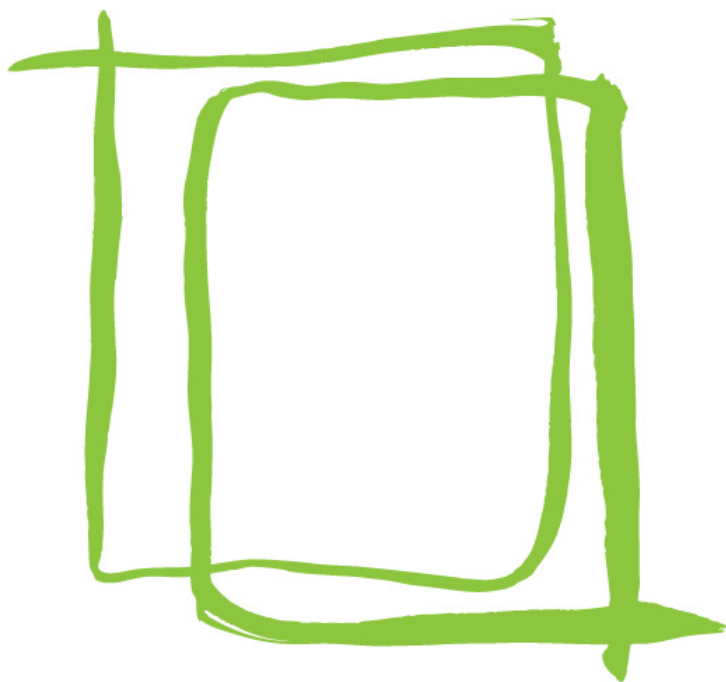
02 February 2009

Use of Resources

Warwickshire County Council

Audit 2007/08

February 2009



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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:

- any director/member or officer in their individual capacity; or
 - any third party.
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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 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 At the time of the council's Use of Resources assessment a criminal investigation was taking place following a fatal fire incident within the area on 2 November 2007. As the investigation is on going, judgments and findings made in this assessment do not include any consideration of the fire incident and related issues. The council's responsibilities as a Fire and Rescue Authority for Warwickshire have not been examined or considered during this assessment.
- 3 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.
- 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, 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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- 5 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.

- 6 The five theme scores for Warwickshire County Council are outlined overleaf.
- 7 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

Key lines of enquiry (KLOEs)	Score 2008	Score 2007
Financial reporting	3	3
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3	3
1.2 The Council promotes external accountability.	3	3
Financial management	4	4
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	4	4
2.2 The Council manages performance against budgets.	4	4
2.3 The Council manages its asset base.	3	3
Financial standing	4	3
3.1 The Council manages its spending within the available resources.	4	3
Internal control	3	4
4.1 The Council manages its significant business risks.	3	3
4.2 The Council has arrangements in place to maintain a sound system of internal control.	3	4
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	4
Value for money	3	3
5.1 The Council currently achieves good value for money.	3	3
5.2 The Council manages and improves value for money.	3	3

Theme summaries

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

Financial reporting

Theme score 3	
Key findings and conclusions	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	The annual accounts were to a good standard and an unqualified audit opinion was given. The accounts were produced in accordance with the agreed timetable and there was generally a prompt response to queries raised. The supporting working papers were good. However, there is still scope to make further improvements to some supporting working papers, for example capital.
KLOE 1.2 The Council promotes external accountability.	<p>The Council continues to promote external accountability. It has published its latest accounts and annual audit letter on its website. The statement of accounts has attained the Plain English Crystal Mark and the summary accounts are easy to understand. Agendas, reports and minutes of Council, Cabinet and Scrutiny committees are made available on the Council's website on a timely basis. Website content is available in accessible formats.</p> <p>The Council does not produce an annual report as a single document, but refers to four separate documents on its website. However these documents do not contain information and analysis about the Council's environmental footprint.</p>

Financial management

Theme score 4	
Key findings and conclusions	
<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>The Council has a soundly based MTFS and budgets which are linked to business planning and strategic objectives. There is also evidence that the Council continues to monitor its financial management arrangements, with a medium term financial planning process which has been revised to take into account changes in the way the Council's funding is allocated. The MTFS provides financial detail on partnerships. Different planning scenarios are used throughout the budget process, through assessing the impact of varying council tax levels and savings targets. Key financial risks are considered specifically within the MTFS. Arrangements are in place to direct financial resources towards the achievement of corporate priorities.</p>
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>The Council has good arrangements in place to manage performance against budgets. The 2007/08 Revenue Outturn reported a net underspend of £2.8 million. Members receive regular budget monitoring reports which are timely and well presented, focusing on the key risk areas, and there is evidence action is taken in response to any significant variation. There is appropriate financial training for members. Progress on the achievement of efficiency savings is also monitored and over a three year period savings are in excess of Gershon targets. There is evidence that financial management arrangements and working practices are reviewed at a high level within the Council.</p>

Theme score 4	
Key findings and conclusions	
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>Systems continue to develop to assist the Council in assessing asset condition, coordinating asset management information and prioritising the maintenance backlog. Action has been taken to ensure that the requirement to support business cases with robust options appraisals and whole life costing is more consistent across directorates and where proposals do not adequately cover this, they have been rejected.</p> <p>The Council is effectively integrating its approaches to property, with other strategies that facilitate change such as the new ways of working programme, and is working with partners and other agencies to review property requirements on an area basis.</p> <p>The Council has yet to set challenging targets for its assets, such as reducing energy consumption.</p>

Financial standing

Theme score 4	
Key findings and conclusions	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p>	<p>The Council has good arrangements to manage spending within available resources. The budget is closely monitored throughout the year, and 2007/08 spend has been maintained within budget. Reserves have been maintained at an appropriate level. There has been integration of reports on spending and reserves. Targets have been set for the collection of income and arrears recovery, and arrangements are in place to take corrective action where targets are not achieved. Capital programme slippage has fallen significantly for 2007/08 as a result of close monitoring throughout the year.</p> <p>Like all councils Warwickshire has a number of unforeseen financial pressures due in the current economic climate. We are aware that additional energy costs and the increase demand for services during the recession are already impacting generally on all Council's finances. Warwickshire is currently addressing potential overspends in 2008/09 and the financial consequences seem likely to impact further in 2009/10.</p>

Internal control

Theme score 3	
Key findings and conclusions	
<p>KLOE 4.1 The Council manages its significant business risks.</p>	<p>There has been a clear improvement in 2007/08 in implementing a new corporate risk management framework. Partnership risks are now being systematically captured. The new framework considers the opportunity side of risk to be identified but this is not fully embedded and sustainability impact assessments are not routinely carried out for major projects.</p> <p>The Council has developed good risk management training and supporting documentation for staff and members. However, training for members has been on a voluntary basis rather than against identified needs. As a result its impact was not maximised in 2007/08.</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 good arrangements in place to maintain a sound system of internal control. There is a strong assurance framework in place which links the Council's objectives to risks, controls and assurances, and provides members with information to support the Annual Governance Statement. Effective scrutiny arrangements are in place. The core functions of an audit committee, as identified in the CIPFA guidance, are being undertaken by the Audit and Standards Committee.</p> <p>The Council approved a business continuity management policy and strategy during 2007. However it has not yet been able to demonstrate that it obtains assurance on a risk basis of the viability of its significant contractors/partners business continuity plans.</p>

Theme summaries

Theme score 3	
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 has a good record in promoting and ensuring probity and propriety in the conduct of its business. Arrangements are in place to proactively raise the standards of ethical behaviour among staff and members. The Council undertakes proactive anti fraud and corruption work and demonstrates a strong anti-fraud culture. The Council's recent corporate governance survey identified a need to strengthen staff awareness and confidence in the confidential reporting arrangements, and we understand that action is being taken to improve arrangements in this area.</p> <p>The Council together with the Warwickshire Direct Partnership has introduced a Fair Processing Notice, which is communicated both visibly and verbally to customers at one stop shops and through phone calls. All application forms for services and benefits should have an appropriate fair processing notification permitting data sharing for prevention and detection of fraud and corruption.</p>

Value for money

Theme score 3	
Key findings and conclusions	
<p>KLOE 5.1 The Council currently achieves good value for money.</p>	<p>Overall costs and performance continue to compare well with peers. However, the council's overall VFM rankings compared with other counties has shifted significantly. Overall spending is now ranked about average with Education and Children's Services just above average and Adult's Services also moving from the lowest quartile to below average ranking. This change is almost entirely due to a change in the way that the government calculates population figures. Warwickshire, together with some London Boroughs has been adversely impacted.</p> <p>Overall performance is good and most BVPIs improved in 2007/08 including improved performance in community and road safety BVPIs. Continued investment and focus in Adults Services has resulted in improving external assessments but is still to deliver significantly improved outcomes.</p> <p>Spending in the Children and Young People Directorate is matched with good outcomes and this is a council priority. The Council's policy of paying above average rates for foster care is helping to minimise the number of children in residential care. Spending on Environment is low, with good performance in terms of waste disposal and highways maintenance. In terms of the Culture Block which is comparatively high spend but not a priority - high overall costs per head of population for libraries is mitigated by high usage so the cost per user is comparatively low. Satisfaction is also high. A similar situation exists for museums.</p>

Theme summaries

Theme score 3	
	<p>Business cases are improving but need to be further strengthened in light of tight financial resources. The capital programme is well managed with an improvement in slippage from the 2006/07 levels. However, the impact of the economic downturn is having an impact on capital receipts and this will ultimately feed into the Council's capital programme.</p>
<p>KLOE 5.2 The Council manages and improves value for money.</p>	<p>The Council has generally good corporate systems in place to monitor performance and VFM but its financial and performance information is not yet fully integrated. Benchmarking including unit cost benchmarking is widely used and a VFM assessment tool has been developed in the Supporting People Programme. However, the Council has a limited understanding of its transaction costs and how these compare.</p> <p>The 2008/09 budget setting process saw full VFM assessments included across all services, and Star Chamber challenge sessions with Heads of Service. The Council has also introduced differential efficiency targets and is allowing budget under spends to be carried forward to improve the quality of spending decisions. The first wave of VFM reviews initiated in 2007 have largely concluded and although it has been difficult to establish clear outcomes this year they have informed the 2008/09 budget and efficiency targets.</p> <p>Performance against the delivery of efficiency targets continues to be good with £23.2 million efficiency gains in three years to March 2008 compared to a cumulative target of £19.6 million.</p>

Theme score 3**Key findings and conclusions**

The approach to procurement has been strengthened to minimise the cost of procurement and there has been good improvement in the commissioning and decommissioning of services delivered through the Supporting People programme. The Council is continuing to invest in ICT to improve efficiency with a significant programme coming through the modern and flexible workforce programme. There is some evidence that social objectives are influencing decisions; resulting in co locating the Warwick Post Office in the new One Stop Shop and locating the contact centre in a regeneration area. The delivery of efficiencies through partnerships is at an early stage. A planned joint commissioning board with health partners in ASC did not materialise in 2007/08 but this was not attributed to the lack of commitment from the council. The Council has an external funding group to pursue external funding to deliver council/LAA priorities. PFI funding is being perused jointly in partnership with other authorities for a new energy from waste plant.

Conclusion

9 The Council is performing strongly with an overall score of 4.

Use of resources 2008/09

- 10 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).
- 11 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.
- 12 The assessment is structured into three themes:
- managing finances: sound and strategic financial management;
 - governing the business: strategic commissioning and good governance; and
 - managing resources: effective management of natural resources, assets and people.
- 13 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 single tier and county councils auditors will assess natural resources and strategic asset management (where there is continuity with 2008).
- 14 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

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

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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