

South Hams District Council

CPA Use of Resources – Assessment Results

The Members
South Hams District Council

December 2007

Ladies and Gentlemen,

CPA – Use of Resources Assessment

We are pleased to present the summary results of our assessment of the council's use of resources, which has been completed in accordance with the methodology and guidance issued by the Audit Commission. We hope that the information contained in this report provides a useful source of reference for Members.

Yours faithfully

PricewaterhouseCoopers LLP

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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In March 2005 the Audit Commission issued a revised version of the ‘Statement of responsibilities of auditors and of audited bodies’. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Introduction

Introduction

We have completed our assessment of the Council's use of resources in accordance with the methodology and guidance prescribed by the Audit Commission. The results have been subject to both internal and Audit Commission quality assurance arrangements, designed to ensure compliance with the methodology and guidance and to promote consistency of assessment between appointed auditors.

The tables in the next section set out the results of the assessment and highlight the areas for improvement based on the criteria devised by the Audit Commission. Each judgement area consists of a number of key lines of enquiry and areas of audit focus and evidence. There are also descriptions of performance against each key line of enquiry showing performance levels 2, 3 and 4. These translate into the following assessments

- 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.

The Audit Commission determined the overall use of resources score by combining the auditor's separate scores for each of the themes covered, using a set of rules which they have previously published in their October 2005 report 'CPA – the harder test.

The Audit Commission formally advised authorities of the overall use of resources score in December 2007. The Council's overall score is 3.

The timetable changed this year and the 2007 assessment relates to the financial year ended 31 March 2007. Previously the assessment was completed in January and took into account evidence up until that date.

Appendix 1 shows a comparison between the current and prior year KLOE scores.

Assessment results

Financial Reporting	
How good are the council's financial accounting and reporting arrangements?	
	3
Overview The production of the accounts is well managed and the council produced a complete set of accounts at the start of the audit, with comprehensive working papers. South Hams DC publishes all relevant reports (including statement of accounts and audit reports) on its web site.	
Key Lines of Enquiry <ul style="list-style-type: none">The council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papersThe council promotes external accountability.	3 3
Areas for Improvement <ul style="list-style-type: none">To achieve a level 4 the council should continue to improve the working papers and supporting documentation, to facilitate the year end audit.Although the council produces a summary annual report, further work is required to achieve level 4. The annual report should be a stand-alone document which incorporates summary accounts and key financial information, which is designed to be understandable by members of the public.	

Financial Management

How well does the council plan and manage its finances?

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Overview

Members are presented with detailed information when setting the budget for the forthcoming year and members are provided with quarterly budget monitoring reports throughout the year.

The council uses profiled budgets which are approved before the start of the year and which are delegated to those responsible. The council regularly tests its financial systems to ensure their integrity.

The council has a corporate capital strategy and manages its asset base well. The council has embedded the annual maintenance and backlog maintenance plan, which was approved in the prior year.

Key Lines of Enquiry

- The council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities
- The council manages performance against budgets
- The council manages its asset base

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Areas for Improvement

- Officers should continue to develop the medium term financial strategy, to specifically include the financial terms agreed with partners and other stakeholders. The strategy should also model its balance sheet and cash-flow over a minimum of 3 years.
- The Executive should formally review its effectiveness and the leadership it provides with regard to financial management, and should then take appropriate action to address areas of weakness.
- Although there are clear lines of budget monitoring reporting to members, the council does not currently produce fully accrued results or balance sheet information.
- The council needs to consult, advise and train users so that it develops and provides the financial information systems to meet their needs.
- There is currently no evidence that performance measures and benchmarking are being used to link asset use to corporate objectives. These results should be communicated to stakeholders where relevant.

Financial Standing

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How well does the council safeguard its financial standing?

Overview

The council has historically managed to balance its total budget.

The council monitors its earmarked reserves to ensure that the optimum level is held to meet future commitments.

Key Lines of Enquiry

- The council manages its spending within the available resources

3

Areas for Improvement

The council needs to further evidence how members set challenging targets and monitor key financial health targets during the year. The council should also be able to evidence that it has a good track record of achieving these targets.

Internal Control

How well does the council's internal control environment enable it to manage its significant business risks?

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Overview

South Hams continues to improve and develop its risk management procedures.

South Hams followed best practice with officers and directors in compiling the statement of internal control (SIC) with sign off and review of key elements of the statement by officers.

South Hams has good examples of protocols for officers and members which have been in place for some time. Detailed reviews of hospitality registers and registers of interest are made by the monitoring officer. The council should ensure that members continue to attend risk management training sessions to ensure they meet their responsibilities.

Key Lines of Enquiry

- 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

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Areas for Improvement

- The council needs to demonstrate that it has embedded risk management in its corporate business processes. They also need to consider positive risks (opportunities) as well as negative risks (threats).
- The council needs to ensure it can evidence that it has appropriate governance arrangements in place for each of its significant partnerships.
- The council needs to ensure that the 'assurance framework' is fully embedded in the council's business processes and that it can demonstrate sufficient corporate involvement in/ownership of the process for preparing the SIC.
- Although the council identifies weaknesses revealed by instances of fraud and corruption, it needs to ensure that all NFI data matches are reviewed on a timely basis, to ensure that appropriate action is taken to strengthen internal control arrangements.
- The council needs to be able to demonstrate a strong counter fraud culture across all services.

Value for Money

Overview

Evidence shows that the council has access to reliable information on costs and performance, internally through COVALENT and externally through various benchmarking information and common costs comparators. Comparison with costs from last year show that total expenditure per head has risen slightly as has net revenue spend per head. However, the majority of cost figures are still either just below or just above average and this, coupled with Audit Commission figures showing that the council has an above average number of BVPIs in the best quartile and 45% having improved (against a national average of 58%) shows that the Council is providing services at a good level of quality and cost.

The council has shown that use of benchmarking data is extending, but is not yet to the point where it can say that 'the council has a track record of using high quality information and benchmarking on costs and quality'. Members and councillors conduct thorough reviews of performance information and financial BVPIs are included in the balanced scorecard.

Higher spending continues to be in line with stated priorities and the results of spend on street cleaning and environmental health (public conveniences) show an improvement to the service. Year on year the council has very few examples of unexpected high spend the most notable this year being waste. This has seen an increase in costs due to the full roll out of wheelie bins and 100% kerbside recycling, and has also seen a reduction in satisfaction levels on last year. However, this is being addressed through budget forecast reports to Executive and in depth analysis of the situation by Scrutiny Committee.

The council has moved forward with its targeted investment in housing and are in the best quartile of council's for affordable housing completions or acquisitions. Although there is no direct evidence to suggest improvement in service the number of projects that have been initiated and the fact that the council have been awarded further Beacon Status and additional funding proves to a certain extent that this should be the case.

The council has good processes in place to ensure that it understands the full short and long term costs of its actions. Post project appraisals are carried out which identify, amongst other things, how a project has performed in terms of delivering its objectives including value for money. Capital and Revenue appraisal forms are used to ensure that long term / whole life cost considerations are taken into account for all major investments. Post project reviews are also carried out and look at costs against budget, further work and ongoing costs. However, less clear is the extent to which the long term costs are consistently considered in all policy proposals.

Value For Money (VFM) is a key consideration, it is one of the council's corporate priorities and there are high levels of understanding and awareness across the council. It is further embedded by being a key part of the appraisal process for managers, who have strict targets (Gershon savings +) for making savings and improving value for money in their service each year. There are also clear processes in place for reviewing VFM; Members and councillors conduct thorough reviews of performance information and financial BVPIs are included in the balanced scorecard. Additionally, the Council's regular monitoring of budget and performance show that there are robust processes in place for recognising variances in the budget. Evidence shows that these are then reported and acted upon. Progress from last year (in planning) and continued identification and action planning this year (waste) show that the council effectively addresses emerging areas of budgetary pressure. However, although the council has processes in place for reviewing performance and costs separately – less clear is how these are linked to provide a clear picture of the VFM of each service.

Value for Money

Consideration of equity in access to services is clearly embedded in the Council's working practices. Its Corporate Equality Scheme promotes equality for all and ensures the Council's services are accessible to all. The scheme comprises equality commitments and objectives, an equality strategy and an equality action plan. In addition the Council can demonstrate that there is equity in access to a number of services.

Although previous evidence has shown that the council has an excellent record of ensuring equity to services which would indicate that the Council do consider the local community in its decisions, there is less evidence to show that the Council actually considers the impact on all users through consultation and tracks most impact post-implementation.

The council has integrated efficiency reviews into its performance management through a Gershon Steering Group and is exceeding its own targets for achieving at least the national cumulative Efficiency Review target of 7.5 per cent over three years. The council has a sustained track record of driving improvements in services and value for money through effective use of targets.

The joint procurement officer has improved the procurement practice a great deal in the short time she has been in place but all evidence is post March 31 2007. If the council keeps the momentum going we would expect to see improvements next year.

The Council has sufficient measures in place to ensure that external funding is strategically sought on projects to support local priorities. South Hams has a dedicated European Grant Officer who researches funding sources, prepares bids and reviews the returns.

Key Lines of Enquiry

- The council currently achieves good value for money
- The council manages and improves value for money

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Areas for Improvement

- The Council needs to further evidence the link between consultation with the community and Council decisions. The impact on users should be tracked as well as initially identified.
- The Council need to show that review processes are consistently applied and follow best practice legislation.
- The Council need to ensure that there is a seamless link between cost and performance data and that they are clearly mapped and reviewed together.
- The Council need to embed the revised procurement strategy and ensure the principles are understood and consistently followed.

Appendix 1 – Comparison of use of resources scores

KLOE	KLOE description	2007	2006
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
2.1	The council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities	3	3
2.2	The council manages performance against budgets	3	3
2.3	The council manages its asset base	3	3
3.1	The council manages its spending within the available resources	3	3
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	3
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	3
5.1	The council currently achieves good value for money	3	3
5.2	The council manages and improves value for money	2	2
	Overall score	3	3

In the event that, pursuant to a request which South Hams District Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. South Hams District Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and South Hams District Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, South Hams District Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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