

Use of Resources

South Hams District Council

Audit 2007/08



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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:

- 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 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 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 web site. 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 South Hams District Council are outlined overleaf.
 - 6 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		
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		
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
Financial standing		
3.1 The Council manages its spending within the available resources.	3	3
Internal control		
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.	2	3
Value for money		
5.1 The Council currently achieves good value for money.	3	3
5.2 The Council manages and improves value for money.	3	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 - 3	
Key findings and conclusions	
Our assessment for this theme is that the Council continues to perform well and the score of 3 for this theme and its sub-themes is unchanged from last year.	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	<p>The council's 2007/08 statement of accounts was prepared in accordance with statutory requirements, timetables, relevant accounting and reporting standards, and the council's agreed accounting policies.</p> <p>The accounts presented fairly, were supported by adequate working papers, and contained only a small number of non-trivial errors.</p> <p>We issued an unqualified opinion on 26th September 2008.</p>
KLOE 1.2 The Council promotes external accountability.	<p>The Council published and publicised its accounts in accordance with the requirements of the Accounts & Audit Regulations 2003.</p> <p>Agendas, reports and minutes for meetings of full council, committees and scrutiny panels have been made available to the public on a timely basis and in accessible formats on the council's website.</p>

Financial management

Theme score - 3	
Key findings and conclusions	
Our assessment for this theme is that the Council continues to perform well and the score of 3 for this theme and its sub-themes is unchanged from last year.	
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.	The Council's MTFS, budget and capital programmes are soundly based and clearly linked to the Council's strategic priorities
KLOE 2.2 The Council manages performance against budgets.	There is a robust approach to budget monitoring at both departmental and member level. This is supported by the production and distribution of regular and clear budget monitoring information. These arrangements have contributed to the achievement of no significant departmental overspends or under spends during the year.
KLOE 2.3 The Council manages its asset base.	The Council's Asset Strategy has clear links to its Medium Term Financial Plan and demonstrates that the Council treats property as a corporate resource. The Strategy shows how property assets will be maintained, modernised and rationalised to ensure that they are fit for purpose. Records of Council land and buildings held by Property Services, have been used to support decision-making on investment and disinvestment in property.

Theme summaries

Financial standing

Theme score	
Key findings and conclusions	
Our assessment for this theme is that the Council continues to perform well and the score of 3 for this theme and its sub-themes is unchanged from last year.	
KLOE 3.1 The Council manages its spending within the available resources.	<p>The Council has a history of setting and operating within a balanced budget that takes account of cost pressures and the impact on council tax.</p> <p>The budget is supported by effective monitoring information which is used to realign variances.</p> <p>The council sets and achieves targets which stretch performance for council tax and NDR collection and arrears recovery.</p>

Internal control

Theme score - 3	
Key findings and conclusions	
<p>Our assessment for this theme is that the Council generally continues to perform well and the overall score of 3 is unchanged from last year.</p> <p>However, the Council's arrangements to promote and ensure probity and propriety fell short of a level 3 assessment in two areas.</p>	
<p>KLOE 4.1 The Council manages its significant business risks.</p>	<p>Our level 3 assessment of this area is unchanged from 2006/07.</p> <p>The Council have continued to embed risk management throughout all aspects of the business process The risk strategy and risk register are subject to regular update and review and there is regular risk reporting to the Audit Committee.</p> <p>The risk manager has provided training to both members and staff.</p>
<p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.</p>	<p>Our level 3 assessment of this area is unchanged from 2006/07.</p> <p>The Council continue to have satisfactory arrangements in place for reviewing and reporting on the system of internal control.</p> <p>These arrangements have been enhanced by the continued development of the Audit and Scrutiny Committees.</p>
<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>There have been two contributory reasons for the change in our assessment of this area from 3 (in 2006/07) to 2:</p> <ul style="list-style-type: none"> no ethics training has been offered or provided to raise awareness and standards of ethical behaviour amongst members and staff the council did not investigate promptly all high risk data matches identified through the NFI data matching exercise.

Value for money

VFM theme (score 3)	
Key findings and conclusions	
<p>The council has maintained its level 3 performance for the Vfm theme. Our assessment of the 'managing and improving value for money' sub theme has increased the score to 3 from 2 in 2006/07.</p>	
<p>KLOE 5.1 The Council currently achieves good value for money.</p>	<p>The council has maintained its score of 3 from 2006/07</p>
<p>The Council's costs generally compare well with others, allowing for external factors. Council tax and net revenue expenditure per head are in the lowest quartile when compared to the Council's nearest neighbours. The Council is aware of local factors which have resulted in higher than average expenditure on planning, street cleaning and transport policy and strategy. High costs of housing and council tax benefit administration were due to the need to replace staff on long term sick leave with agency staff and investment in new technology which has helped to improve the performance of the service. Overall, costs generally demonstrate that good value for money is being delivered.</p> <p>The Council is achieving high levels of performance in many areas while maintaining relatively low overall costs. Council tax and net revenue expenditure per head are relatively low but service performance is relatively high overall, with a higher than average percentage of indicators in the top quartile. Where costs have increased in 2007/8 this has resulted in improved levels of performance in the areas of recycling, housing and council tax benefit administration and homelessness prevention. A satisfaction survey carried out by the Council in 2007 shows that satisfaction levels remain high. As costs are generally lower than average and performance and satisfaction levels are generally higher than average, the Council is achieving good value for money.</p> <p>The Council's costs generally reflect Council priorities. Relatively high levels of spending on housing and street cleaning are consistent with the Council's corporate priorities for more affordable housing and a clean district. The Council made an explicit decision to invest in an affordable housing team and this team has helped to secure more external funding for affordable housing in the district. There was a reduction in the budget for street cleaning in 2005/6 but, despite this, performance has improved and satisfaction levels are high. The Council has increased its expenditure on waste collection to meet the additional cost of recycling and composting more waste but this is consistent with its corporate priority of a clean district and has enabled the Council to become one of the best performing councils in the country for recycling and composting. These examples show that increased investment is supporting the delivery of the Council's priorities.</p>	

VFM theme (score 3)

KLOE 5.2 The Council manages and improves value for money.

The council has improved its score from 2 in 2006/07 to 3 in 2007/08

The Council has a range of mechanisms in place to monitor and review value for money and has good arrangements for data quality. The Council routinely compares its costs and performance levels with others to identify areas where there is scope for improvement. The Council has also developed a service review programme and has prioritised services where costs are higher than average in this review programme. The Council has robust arrangements in place for budget and performance monitoring at a corporate level and is taking steps to improve its arrangements through the development of a model enabling the relationship between performance and cost data to be analysed in a more sophisticated way. The Council also undertakes an annual survey to monitor satisfaction levels and the most recent survey shows high levels of satisfaction overall and increased satisfaction in some areas. These arrangements should help the Council to achieve better value for money but the Council has not yet been able to demonstrate that significant improvements in efficiency and effectiveness have been achieved as a result of benchmarking and undertaking service reviews.

The Council has improved value for money and achieved efficiency gains well in excess of its national target in the three year period ending with the 2007/8 financial year. Over £600K efficiency savings were achieved in 2007/8. These included efficiency gains achieved through shared services and posts with neighbouring councils. However, the reported efficiency gain of £250K achieved through reducing the reimbursement to bus operators for concessionary fares is subject to a legal challenge. In addition, the Council is anticipating a significant increase in salary costs as a result of Single Status and is making provision for this in its budgets. This means that although significant efficiency gains have been achieved they may not be sustained in future years.

The Council is starting to consider the impact of its decisions on environmental sustainability and social and economic wellbeing but there is some scope for improvement in this area. Recent examples of procurement exercises show that the main focus was on quality and cost rather than wider sustainability considerations. Although sustainability impact appraisals have been carried out as part of the planning process for the new community they are not routinely carried out for all strategic decisions. As a result decisions may not always take account of the long term consequences in terms of costs or outcomes for communities.

Theme summaries

VFM theme (score 3)

Potential areas for improvement

The council should

- progress actions to reduce sickness absence. Absences increased from an average of 10.10 days to 11.54 days in 2007/8, and recently published comparative data shows performance is in the bottom quartile
- review areas of relatively high cost, such as street cleaning and waste collection, to identify the potential for cost savings whilst maintaining the current high levels of performance
- extend the use of sustainability impact proposals for strategic decisions.

Conclusion

- 8 The council has appropriate use or resources arrangements in place and consistently performs above minimum requirements. Our overall assessment is that the council achieves a level 3 performance.
- 9 Our report identifies 'arrangements for promoting and ensuring probity and propriety' as an area which requires some strengthening. At the same time, our assessment of the 'managing and improving value for money' sub theme has increased from a score of 2 in 2006/07 to 3 in 2007/08.
- 10 Overall, the council should ensure that its future improvement decisions are taken in the context of best practice, the likely impact and the associated costs. These are key criteria which will be reflected in next year's use of resources assessment.

Use of resources 2008/09

- 11 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).
- 12 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.
- 13 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.
- 14 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). For district councils, auditors will assess work force planning.
- 15 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.