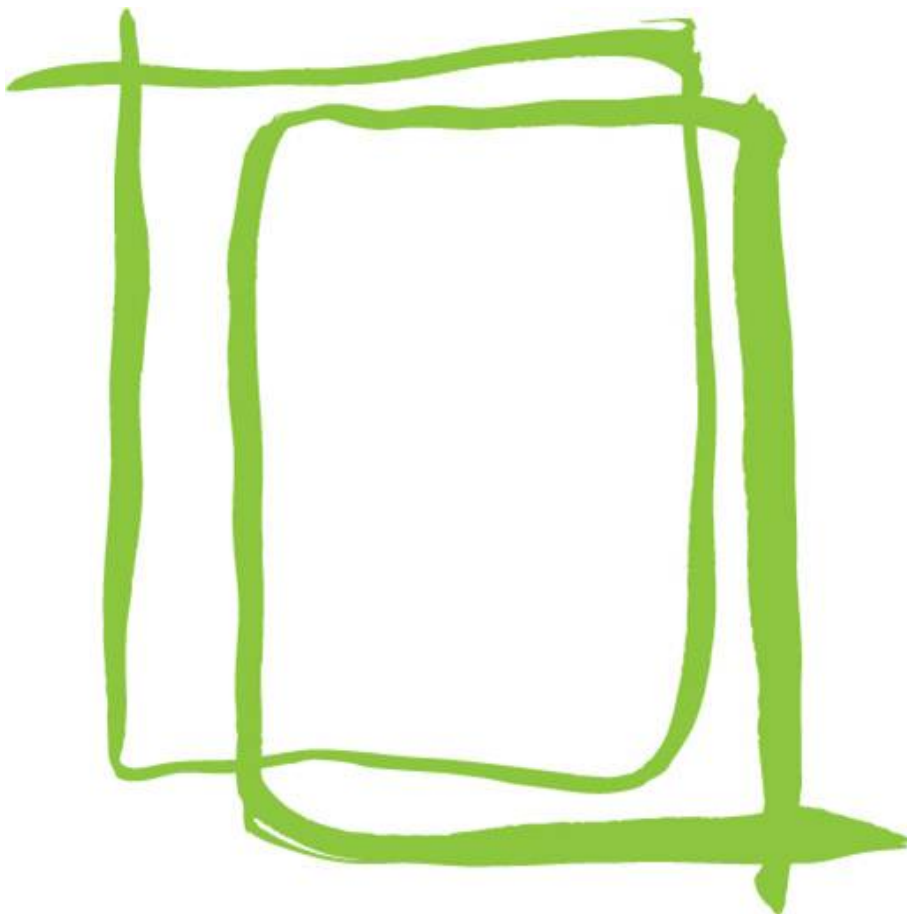


Use of Resources

South Somerset District Council

Audit 2007/08

December 2008



Contents

Introduction	3
Use of resources judgements	4
Theme summaries	5
Conclusion	13

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 Use of Resources assessment focuses on the importance of having strategic financial management, sound governance and effective financial reporting arrangements. These qualities 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 Somerset District Council are outlined overleaf. These have now been confirmed by our national quality control process, which seeks to ensure consistency across all suppliers and on a national basis.

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.	4	3
1.2 The Council promotes external accountability.	4	3
Overall score for financial reporting	4	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.	4	4
Overall score for financial management	3	3
Financial standing		
3.1 The Council manages its spending within the available resources.	3	2
Internal control		
4.1 The Council manages its significant business risks.	3	2
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	2
Overall score for internal control	3	2
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	3
Overall score for value for money	3	3

Theme summaries

6 The key findings and conclusions for each of the five themes are summarised in the following tables. The 2007 scores are shown in brackets.

Financial reporting

Theme score: 4 (3)	
Key findings and conclusions	
<p>The Council demonstrates good practice in its financial reporting procedures. The quality of the working papers supporting the financial statements is exemplary, and the Council's Carbon Strategy sets out clearly the actions the Council has taken and its future plans to reduce its CO2 emissions.</p>	
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p>A full set of accounts was available from the start of the audit, accompanied by a comprehensive electronic pack of working papers, including very extensive use of analytical review to identify and explain key movements from the previous year. The s151 officer made a full presentation to the Audit Committee on the key issues in the accounts, and there was a well-informed debate before Members approved the accounts. When auditors asked officers for additional information during the audit, responses were consistently provided promptly and effectively, obviating the need for follow up requests. Apart from the normal minor typographical errors, only one, trivial, error was identified during the audit.</p>
<p>KLOE 1.2 The Council promotes external accountability.</p>	<p>The Council publishes meeting agendas, minutes and reports on its website on a timely basis. It consults appropriately on the form and content of its annual report. It publishes separately and distributes to all households a user-friendly accounts summary which highlights the key issues from the full accounts. It has also produced this year (to be updated annually) a Carbon Strategy which sets out key information on the Council's environmental footprint, with comparative information for other councils, setting out its plans and actions to meet its stated aim of becoming an exemplar council for achieving carbon reductions and other sustainability targets.</p>

Financial management

Theme score: 3 (3)	
Key findings and conclusions	
The Council has robust arrangements for preparing and monitoring the budget, and actively manages its asset base to support delivery of its corporate objectives.	
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.	There are clear links between the Council's MTFS, corporate plan and service plans. Equalities impact assessments are being undertaken and are leading to action. The Council has a well-established and robust process for assessing new projects and prioritising capital bids. The policy on balances and reserves is supported by a rigorous assessment of the key financial risks. Financial management arrangements are reviewed whenever new initiatives with a significant impact on these are planned. There are post-completion evaluations of capital schemes, but no similarly rigorous process as yet for appraising the effectiveness of additional revenue investment
KLOE 2.2 The Council manages performance against budgets.	The Council has sound arrangements for preparing and monitoring the budget, and it has an excellent track record of delivering expenditure within budget. High risk budgets have been identified and are monitored more closely. Progress in achieving efficiency gains is also monitored and reported regularly to members. Costs of key partnerships are also monitored regularly, alongside outcomes. The Council does not produce quarterly balance sheets, and there is no evidence of the Executive reviewing how effective it is in providing financial leadership.

Financial management (continued)

<p>KLOE 2.3 The Council manages its asset base.</p>	<p>The Council has a five year Asset Management Plan, which is updated on a regular basis. Members receive a range of reports on strategic and operational issues, and the Leader sits on the Asset Management Group. The Council has a robust process for prioritising capital projects, which includes a rigorous financial and option appraisal. The biennial property reviews provide effective challenge to the existing use of land and buildings. The Council monitors performance on a wide range of asset management PIs, and has set itself a range of challenging targets, including the objective of being an exemplar council for achieving reductions in carbon emissions. The links with asset management planning are evident in a wide range of other business plans and strategies, and links from asset management planning to the corporate plan are also clear. The Council can provide a number of examples of how it uses its property portfolio to deliver change, both in terms of its own service provision and to meet the wider needs of the community. The opportunity cost of holding property is considered as part of the biennial property review process. All the Council's area offices are now in shared use, including a national first for shared use of a district council office with the police.</p>
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Financial standing

Theme score: 3 (2)	
Key findings and conclusions	
The Council has established a sound financial base to help it meet the many pressures on its budget, and is proactive in identifying efficiency savings, in particular through its 'lean thinking' reviews.	
KLOE 3.1 The Council manages its spending within the available resources.	The Council's balances and reserves are maintained at prudent levels, and the agreed policy on these is based on a rigorous evaluation of the key financial of its key financial results. This evaluation is regularly updated. The Council has robust budget monitoring and reporting procedures and has an excellent track record of taking prompt and effective action in respect of any in-year budget pressures. The Executive receive regular update reports on the Medium Term Financial Plan and these reports identify very clearly the key financial issues and any action required to address these. Targets are set and monitored for recovery of all types of income, and recovery rates have steadily improved. The Council has not yet explicitly agreed a key set of financial health indicators.

Internal control

Theme score: 3 (2)	
Key findings and conclusions	
The Audit Committee provides a strong lead on governance issues, with the local governance code providing the supporting framework. The Council should review the resources it makes available for anti- fraud and corruption work.	
KLOE 4.1 The Council manages its significant business risks.	The Council's risk register, which covers corporate and service risks and now has a separate section for partnership risks, is regularly updated. The Corporate Management Team and the Audit Committee receive regular reports which provide assurances on how the key risks are being managed. The Audit Committee uses these reports to probe the effectiveness of mitigating controls. Appropriate training has been provided to members and staff, and there is an on-line training module for all new staff. The Council has a member champion for risk management, but the role and identity of the champion is not well-communicated.
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	The Council has sound arrangements in place for preparing and approving the Annual Governance Statement, and the Audit Committee monitors progress on action plans within the SIC/AGS. The Audit Committee is challenging and provides a strong lead on audit and governance issues, particularly through its 'calling to account' arrangements. The Council has identified its key partnerships and identified clear criteria for new partnerships. it has established a review process for partnership governance arrangements, and now needs to make sure that these reviews are regularly updated, and that all the key partners have sound business continuity plans. The Council has recently updated its local Governance Code, and this provides a framework for reviewing compliance with internal policies and regulations.

Internal control (continued)

<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 sound arrangements in place for monitoring compliance with standards of conduct, its local governance Code providing the overall framework. The anti-fraud and whistle-blowing policies have been updated and are well-publicised through the Council's website and elsewhere. The Standards Committee has received appropriate training in its expanded role. The Fraud Investigation Team carries out some proactive counter-fraud work, but there is scope for increasing such work within this team and internal audit, but only if they are provided with sufficient resources. The level of resources within the fraud investigation team was very low in 2007/08 compared to similar councils, and the level of investigations completed and prosecutions/ sanctions was correspondingly low.</p>
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Value for money

Theme score: 3 (3)	
Key findings and conclusions	
<p>Overall, SSDC continues to provide good VFM services, despite some identified areas of weakness, such as planning and benefits. Services are improving faster than average and above average proportion of PIs are in the best quartile. There is a clear focus on efficiency, supported by effective workforce planning. Strong partnership working is adding to capacity and the Council is becoming more systematic in how it monitors effectiveness of partnerships and uses them to drive improvement.</p>	
<p>KLOE 5.1 The Council currently achieves good value for money.</p>	<p>Overall, the Council provides VFM and is performing strongly in areas that have been identified as important to the local community. Its costs are well understood by staff and councillors and most compare favourably with other similar councils. Its services are improving at an above average rate, with 79 per cent of PIs having improved since last year and 35 per cent in the best quartile, which is above average for district councils. There are generally high levels of satisfaction with services and the quality of life in the district. Areas of higher spending are in line with priorities and unintended high spending is identified and addressed. The Council is tackling weaker performing services such as planning and benefits, which are showing signs of recent improvement.</p> <p>The Council has a well managed capital programme linked to priorities, with most projects completed on time and within budget.</p>

Value for money (continued)

<p>KLOE 5.2 The Council manages and improves value for money.</p>	<p>The Council has further strengthened its arrangements to manage and improve VFM. VFM has a high profile within the organisation, with clear leadership both politically and at officer level. It has developed a programme of efficiency based staff reductions linked to its workforce plan. VFM is integral with performance management, workforce planning and decision making, with pro-active scrutiny of performance by councillors. Targets for savings form part of the budget setting process and are included in the MTFP. This focus has helped the Council to exceed its Gershon efficiency targets, for example through innovative approaches to procurement. It is now starting to improve the cost effectiveness of underperforming services through lean thinking reviews that incorporate benchmarking with alternative suppliers. Its 'enable-partner-deliver' approach to partnership working is used to build capacity and drive service improvement. The Council is improving processes to evaluate the effectiveness of partnerships in supporting corporate priorities. Its strategic approach to securing external funding also contributes to cost effective delivery of priorities.</p>
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Conclusion

- 7** In line with its objective of promoting continuous improvement, the Audit Commission has "raised the bar" once more for the 2007/08 Use of Resources assessments, with the introduction of a number of new Use of Resources criteria and the removal of the "optional" label for any Level 2 or Level 3 criteria - for this last year of the old approach, all these criteria are mandatory. In spite of this, the Council has once again improved its scores, with Financial Reporting moving from Level 3 (performing well) to Level 4 (performing strongly), and Financial Standing and Internal Control both moving from 2 (adequate performance) to 3. None of the five theme scores are now below level 3.
- 8** Within the Council, there is clearly a strong leadership and focus on managing VFM and improving this over time. The Audit Committee plays a key role in ensuring that action is taken on audit recommendations -internal and external - and that effective action is being taken to manage the Council's key risks. Finance staff provide very comprehensive working papers to support the figures in the financial statements, and any queries raised at audit are dealt with promptly and effectively.

Use of resources 2008/09

- 9** 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).
- 10** 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.
- 11** 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.
- 12** 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 district councils, auditors will assess work force planning for the 2008/09 assessment.
- 13** 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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