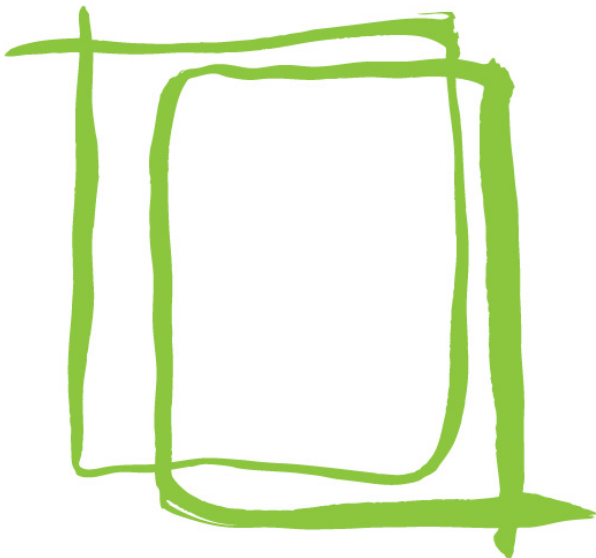


Use of Resources Report

Cherwell District Council

Audit 2007/08

December 2008



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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 members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any 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 Cherwell District Council are outlined overleaf. These scores are still subject to confirmation by our national quality control process. This seeks to ensure consistency across all suppliers and on a national basis. Consequently we are informing you that the scores reported here may change as a result of national quality control and should not be taken to be final. Following completion of national quality control, the Commission will notify you of your Council's overall score for use of resources and supporting the theme scores. This is scheduled for 8 December 2008.
- 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	3	2
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	2	1
1.2 The Council promotes external accountability.	4	3
Financial management	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
Financial standing	3	3
3.1 The Council manages its spending within the available resources.	3	3
Internal control	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
Value for money	3	2
5.1 The Council currently achieves good value for money.	3	2
5.2 The Council manages and improves value for money.	2	2

Theme summaries

- 7 The key findings and conclusions for each of the five themes are summarised in the following tables.
- 8 Areas where performance could be strengthened have been highlighted as part of the key findings and conclusions. However focusing on these areas alone won't necessarily lead to an improved score for 2008/09. This is due to upcoming changes to the kloes to reflect the move from Comprehensive Performance Assessment (CPA) to Comprehensive Area Assessment (CAA).

Financial reporting

Theme score	
Key findings and conclusions	
Performance has shown a huge improvement and this is through the efforts of council officers and members to ensure that their accounts and reporting meet the standard required in the kloe.	
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p>The overall quality of the accounts has improved. There were significantly less errors and the format of the accounts made them easier to follow.</p> <p>The authority demonstrated planning for and implementation of the new SORP requirements.</p> <p>There was good liaison running up to audit between audit and the authority ensuring that all the prior year issues were addressed.</p> <p>There was one amendment just below materiality which with a few other amendments kept this score down.</p> <p>The Council need to think through key events in the year and the impact that they will have on current and future financial statements to ensure that they have been properly accounted for.</p>

Theme summaries

Theme score	
Key findings and conclusions	
KLOE 1.2 The Council promotes external accountability.	<p>The annual report produced was strong and showed notable practice.</p> <p>Among the strengths was liaison with local residents and businesses.</p> <p>A summary of the report was provided to all residents in a local magazine and a variety of formats are available on request.</p> <p>The Council need to consider what more they can do to evidence and enhance community involvement ,especially liaison on finances. They then need to continue to demonstrate how they acted upon the feedback received.</p>

Financial management

Theme score	
Key findings and conclusions	
This kloe shows further embeddedness in 2007/08. The council have managed their budget and asset base in line with the medium-term financial strategy.	
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>Service and financial planning showed another year of embeddedness in the areas of process, budget holder involvement and member involvement.</p> <p>The (MTFS) needs to be refreshed to reflect the current economic climate and relevant partnerships in line with corporate priorities.</p>
KLOE 2.2 The Council manages performance against budgets.	<p>The authority has a process in place for dealing with budget underspends. Budget underspends had decreased in 2006/07 and these were further reduced in 2007/08.</p> <p>Major budget variances in the year were managed appropriately without an impact on services via good use of reserves and the MFTS.</p> <p>The Dash board budget monitoring system is now embedded and now provides quick and timely reporting.</p> <p>Although the partnership working group framework has been agreed, financial and governance monitoring of partnerships needs to be developed further.</p>
KLOE 2.3 The Council manages its asset base.	There is an updated Asset Management Plan which links the assets to the strategic objectives and corporate priorities. More needs to be done on the efficiency and effectiveness of assets to support decision making on investment and disinvestment in property.

Financial standing

Theme score	
Key findings and conclusions	
The council manages spending within available resources and has made appropriate use of reserves.	
KLOE 3.1 The Council manages its spending within the available resources.	The ongoing review of efficiencies and reallocation for budget throughout the year led to little underspend. Further challenge delivered on reserves and appropriate use of reserves. Stronger information on income recovery and effectiveness now embedded with the financial management panel. Ongoing adjustments will be needed to assess the financial position due to the current change in interest rates and the effect on investments.

Internal control

Theme score	
Key findings and conclusions	
The council has a sound system of internal control, which has become more embedded in 2007/08.	
KLOE 4.1 The Council manages its significant business risks.	<p>Good methodology to manage significant business risks.</p> <p>Strong IT support system.</p> <p>The Strategic Risk Register is fully up and running and reviewed.</p> <p>There is a risk panel now developed as part of the Accounts, Audit and Risk committee focusing on the council's significant business risks.</p> <p>The Council needs to use the new Risk Management Group to further embed risk management within business processes.</p>
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	<p>There was good early consideration of the Annual Governance statement by the Accounts, Audit and Risk committee.</p> <p>Establishment of panels to look at specific issues such as the accounts shows good challenge by members and a strengthening of the system of internal control.</p> <p>There is continuing work on partnerships from a framework and protocol being established to an Internal Audit review of significant systems relating to partnerships.</p> <p>The outsourced Internal Audit function is to be established.</p> <p>Looking to the future, more consistent and focused challenge from the Accounts, Audit and Risk Committee, that it has shown enthusiasm for, will enhance its impact.</p>

Theme summaries

Theme score	
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>New code of conduct brought in as required. An in-house monitoring system to review compliance has been brought in. Further work has been carried out on fraud through a data protection exercise, asset register review and a review of temporary staff. The Accounts, Audit and Risk committee needs to strengthen its role in terms of fraud and corruption now that the context of this role has been strongly laid out for them.</p>

Value for money

Theme score	
Key findings and conclusions	
The Council has succeeded in demonstrating the improvement required to increase this headlining score.	
KLOE 5.1 The Council currently achieves good value for money.	<p>The Council has enhanced its management and understanding of VFM through improved corporate processes.</p> <p>It has demonstrated high and improved value for money in priority areas such as waste, developments control, strategic housing and housing benefit.</p> <p>Cost reductions have been secured in central services.</p> <p>Best Value reviews in high cost areas have provided stronger information and understanding regarding the value for money of the services.</p> <p>Government Office for the South East (GOSE) recognised improvement in homelessness services.</p>
KLOE 5.2 The Council manages and improves value for money.	<p>A broad VFM action plan is being implemented across council however greater outcomes from this work need to be demonstrated at a service level.</p> <p>Greater outcomes need to be seen from the corporate procurement processes.</p> <p>Improvements in data quality arrangements need to be secured providing comprehensive and up to date information in all services areas.</p>

Conclusion

- 9 The Council's has consolidated its performance in a number of areas and then gone on to improve in other key areas particularly around financial reporting and the value for money conclusion. Notable practice has been agreed for the annual report recognising not only the user friendly format but also the wide circulation of the information and the notable methods of wider engagement such as liaison with local residents and business forums and also the opportunities for stakeholder feedback scattered throughout communications.
- 10 This has been a good year for the Council in terms of the Use of Resources assessment. The council is now turning its attention to the 2008/09 use of resources framework and needs to ensure that the new KLOEs and focus on outcomes are addressed.

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 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.

The Audit Commission

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