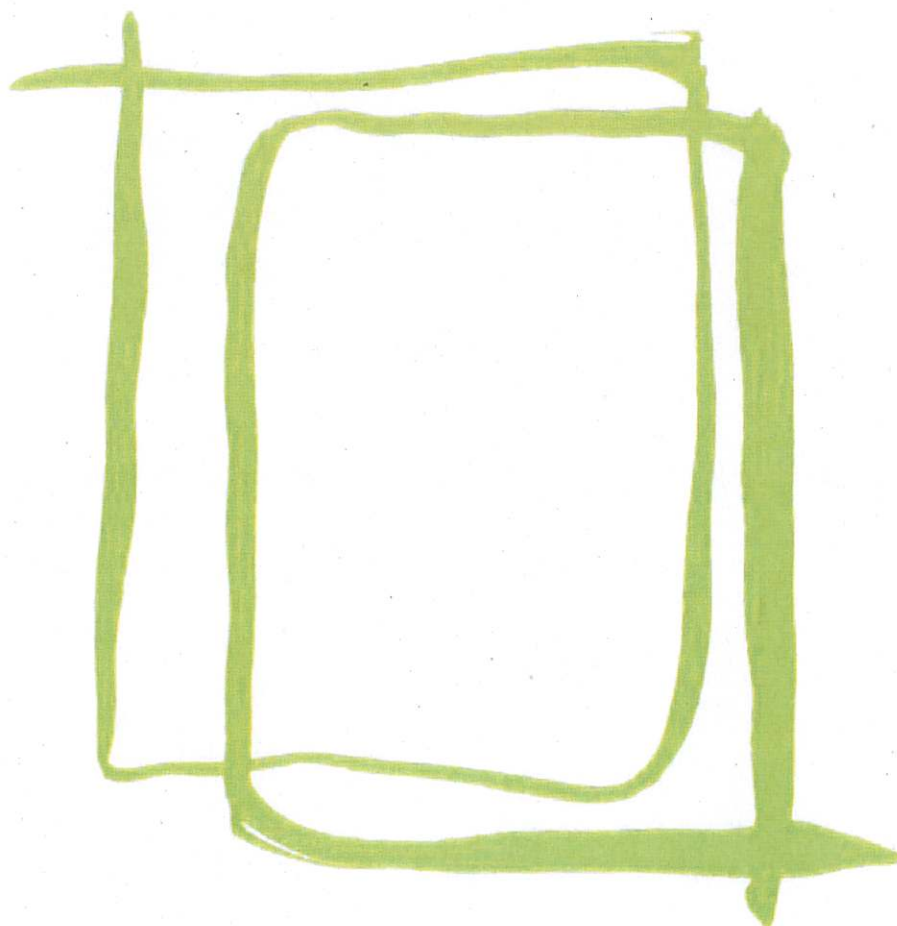


# Use of Resources

District of Easington

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 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. For authorities such as the District of Easington which are subject to LGR there will be no Use of Resources assessment in 2008/09. We will however have to undertake work to give a VFM conclusion.
- 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

- 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 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.
- 5 The five theme scores for the District of Easington Council are outlined overleaf and this summary sets out our key findings in relation to each theme.

5.8 **E Government**

None

5.9 **Procurement**

None.

5.10 **Equality and Diversity**

None

**6. Recommendations**

6.1 The Committee is recommended to note the information contained in the report.

**Background Papers**

Report to Extraordinary Report to Council-5<sup>th</sup> March 2009 – Audit and Inspection Letter 2007/8.

Use of Resources Auditor Judgements – 2007/8 (Audit Commission) .

12<sup>th</sup> February 2009.

THB/Use of resources feedback 2007/8.-audit committee



# Use of resources judgements

**Table 2** Summary of scores at theme and KLOE level

Key lines of enquiry (KLOEs)	Score 2008	Score 2007
<b>Financial reporting</b>		
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
<b>Financial management</b>		
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	2
<b>Financial standing</b>		
3.1 The Council manages its spending within the available resources.	3	3
<b>Internal control</b>		
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
<b>Value for money</b>		
5.1 The Council currently achieves good value for money.	3	2
5.2 The Council manages and improves value for money.	3	3

## Conclusion

- 6 Our 2007/08 work demonstrates that the Council has maintained its performance in the majority of areas, assessed under Use of Resources despite the additional pressures and uncertainties created in the demising period before LGR.
- 7 In two areas, management of the asset base and current achievement of good value for money, the Council has consolidated improvement leading to better Use of Resources scores. The recommendations in this report are to assist the Council to achieve a smooth transition to the new unitary council.

# Theme summaries

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

## Financial reporting

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers	The Council approved the Statement of Accounts on 30 June 2008 and submitted them for audit within the agreed timetable. The working papers provided supported the entries in the accounts. There is however scope to further improve the working papers by the provision of electronic working papers.
KLOE 1.2 The Council promotes external accountability.	The Council produced summary accounts which were distributed via the Council's newspaper.



## Theme summaries

### Financial management

#### Theme score - 3

#### Key findings and conclusions

<p>KLOE 2.1 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's medium term financial strategy (MTFS) links the business planning process with financial planning. Due to Local Government Re-organisation the three-year forward planning process has to some extent become incorporated into the transition plan.</p>
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>The Council should consider having more frequent budget reports on key variances as the year progresses. Ensure that the budget is being monitored effectively especially where there has been a change in budget holder during the year.</p>
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>Management of the asset base has improved and continues to be embedded. The Council needs to ensure that the asset register and related records are complete and up to date in preparation for transfer to the new unitary authority.</p>



**Financial standing**

**Theme score - 3**

**Key findings and conclusions**

KLOE 3.1 The Council manages its spending within the available resources.

The Council has maintained good control over income and expenditure. Budget monitoring reports to budget holders clearly allow income and expenditure to be separately monitored. The Council has maintained income and expenditure within internally set limits without impacting on services.

## Theme summaries

### Internal control

Theme score - 3	
Key findings and conclusions	
KLOE 4.1 The Council manages its significant business risks.	The Council has continued to enhance the approach to risk management and has a Risk Management Strategy steering group which includes an executive Member and officers.
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	<p>The Council had a Scrutiny Management Board which meets regularly to consider whether there are any issues in need of referral to the individual Scrutiny Committees.</p> <p>As a significant partner the scrutiny process considers the performance of East Durham Homes.</p> <p>The Council has delegated to the Audit Committee the responsibility for ensuring effective governance arrangements are maintained.</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>The Council has appropriate arrangements in place for monitoring compliance with standards of conduct across the organisation.</p> <p>The Council has a range of policies in place including code of conduct; register on interests; register of gifts; confidential whistle blowing; anti fraud and corruption and a complaints procedure. Policies are regularly reviewed and kept up to date.</p>

Value for money

Theme score - 3

**Key findings and conclusions**

KLOE 5.1 The Council currently achieves good value for money.

The Council has worked with its key partner - East Durham Homes (EDH) to ensure it is operating more effectively through right sizing the organisation; outsourcing repairs and maintenance and transferring the capital works unit to a strategic partner. EDH has developed efficiency targets to increase performance on the turnaround of empty homes and reduction in homeless applications.

Spend on economic and community development is high as before and this reflects the priority of the council to tackle deprivation. Spending on waste management is average and satisfaction is high. However the benefits of the new recycling contract have yet too be reflected in PIs and technical problems with the digester have reduced recycling performance.

Benefits administration is median spend despite upper quartile workload.

Theme summaries

**Theme score - 3**

KLOE 5.2 The Council manages and improves value for money.

Trends in cost and performance are generally positive so there have been clear improvements in VFM. The Council works in partnership with the PCT its ALMO and other councils to achieve VFM through procurement and initiatives like the support for teenage mothers through the Baby Mondays project and partnership working with the voluntary and community sector is good on 'Groundwork' and the use of community centres as venues.

The Council exceeded its three-year efficiency target by achieving almost double the savings required.

The Council has some specific examples of using IT to improve access and VFM for instance in planning and benefits but further improvements could be made eg to make payments online.



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## 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. For demising authorities under local government reorganisation we will not be undertaking a formal assessment of Use of Resources for 2008/09 and providing 'theme' scores. We will however still be undertaking elements of the review in order to feed into our assessment of the overall 'value for money' arrangements in place at the Council.
- 13 In light of LGR, we will be seeking to undertake this review much earlier than previous years, in advance of vesting day. This will undoubtedly prove more efficient and relevant than conducting the work after the Council has demised. We will be liaising with officers shortly to agree a detailed timetable for this exercise; identify key contact officers and explore the potential to restrict the scope and format of any self-assessment.

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# The Audit Commission

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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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