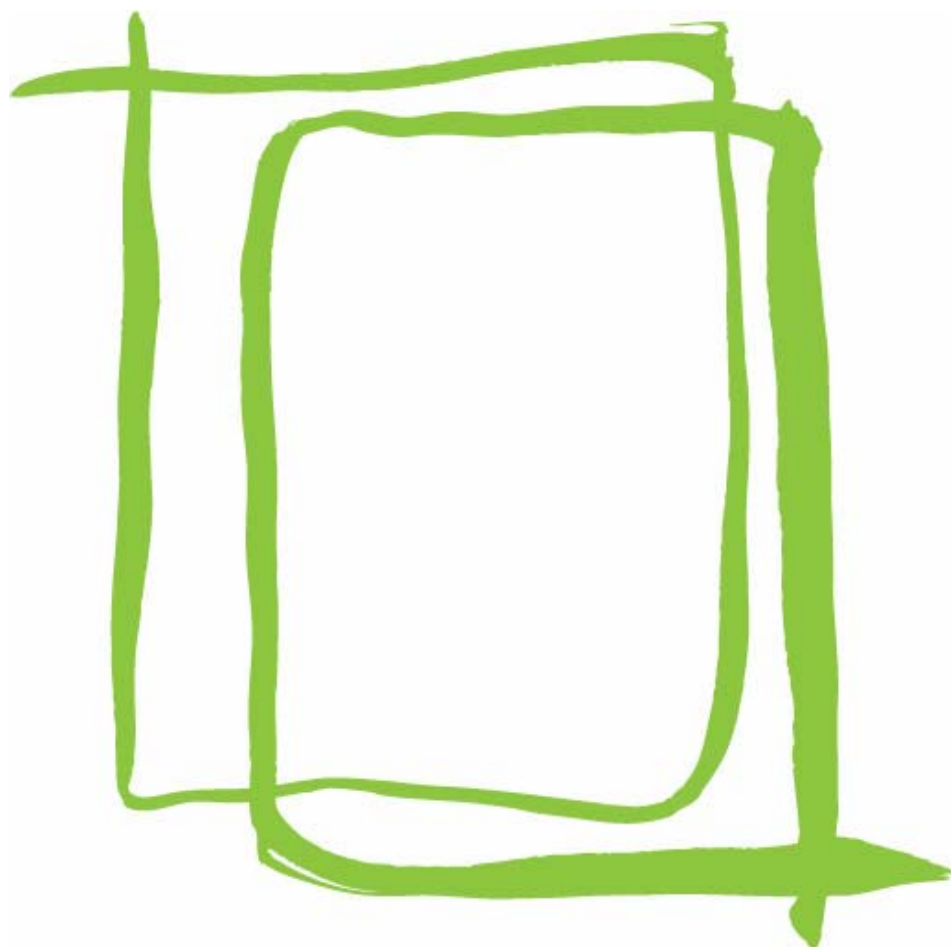


Use of Resources

Tonbridge and Malling Borough Council

Audit 2007/08

January 2009



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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.
- 2 The Use of Resources judgement 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.
- 3 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.
- 4 The overall use of resources assessment is made up of the following five themes.
 - Financial reporting.
 - Financial management.
 - Financial standing.
 - Internal control.
 - Value for money.
- 5 Judgements have been made for each theme using the Audit Commission's scale as at Table 1. This scale is used across the Commission's 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

- 6 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 to the Council's arrangements.
- 7 This summary sets out the key findings from our 2007/08 use of resources assessment. The scores reported in following sections have now been confirmed by the Audit Commission's national quality control process.

Key findings

- 8 In 2007/08 the Council achieved an overall score of 4 ('Well above minimum requirements - performing strongly') for use of resources, maintaining the score first achieved in 2006/07. It continues to deliver services to a high standard, and to provide evidence that the principles of good governance and performance management are firmly embedded.
- 9 An analysis of the five theme scores is given at Table 2 overleaf. The Council again achieved a minimum score of 3 ('consistently above minimum requirements - performing well') for each of the five themes assessed. Whilst there were reductions in the scores for financial reporting and financial standing, the Council maintained its score of 4 for financial management. For the first time it also achieved a score of 4 for value for money.

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	4
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3	4
1.2 The Council promotes external accountability.	3	3
Financial management	4	4
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	4	4
2.2 The Council manages performance against budgets.	4	4
2.3 The Council manages its asset base.	3	3
Financial standing	3	4
3.1 The Council manages its spending within the available resources.	3	4
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	4
Value for money	4	3
5.1 The Council currently achieves good value for money.	4	3
5.2 The Council manages and improves value for money.	4	3

Theme summaries

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

Financial reporting

Theme score	
Key findings and conclusions	
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p>Score = 3</p> <p>The Council continues to have strong procedures for preparing its annual accounts. As in previous years only a small number of errors were identified and the supporting working papers were again of a high standard. In 2006/07 the Council achieved a score of 4 for this KLOE. However, in 2007/08 it failed one assurance at level 4 as the accounts contained two errors exceeding our 'triviality' threshold of £111,000. Further details of these errors and of the action taken to address them are included in our Annual Governance Report considered by the October 2008 Audit Committee.</p>
<p>KLOE 1.2 The Council promotes external accountability.</p>	<p>Score = 3</p> <p>Arrangements for external reporting are generally strong. Agendas, reports and minutes for Council and Committee meetings are made available promptly via the Council's website. All reporting requirements in respect of the annual accounts and the annual audit letter are met. The Council also produces a short 'Review of the Year' which incorporates summary financial information. At Level 4 the Council was not able to meet the 'notable practice' criteria for this KLOE.</p>

Financial management

Theme score	
Key findings and conclusions	
<p>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>Score = 4</p> <p>The Council has strong arrangements in this area. A comprehensive medium term financial strategy is in place which continues to be actively updated. This incorporates the financial impact of plans made by key partners and stakeholders. The planning framework supports the production of a comprehensive and balanced revenue budget.</p> <p>In 2007/08 the Council also continued to demonstrate a relatively high degree of integration between business and financial planning, for example through the use of the Budget Prioritisation Model.</p>
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>Score = 4</p> <p>The Council's arrangements in place for managing performance against budget are well established at all levels. There is regular analysis and reporting of key variances. The budget monitoring framework is informed by a risk assessment and includes monitoring of achievement against annual efficiency gains and planned savings.</p> <p>Overall there is evidence that budgetary pressures are being effectively managed over time.</p>

Theme summaries

Key findings and conclusions	
KLOE 2.3 The Council manages its asset base.	<p>Score = 3</p> <p>The Council has a capital strategy which is integrated with medium term financial planning. There is an asset management plan which is updated annually and has clear links to corporate priorities and service delivery needs. The Council's asset records include information on valuations but do not have comprehensive data on efficiency, effectiveness and running costs. However, as this was the only failed assurance at Level 3 discretion was exercised to pass the Council at this level.</p> <p>To achieve level 4 the Council would have needed to demonstrate greater use of benchmarking and performance indicators for asset management purposes.</p>

Financial standing

Theme score	
Key findings and conclusions	
KLOE 3.1 The Council manages its spending within the available resources.	<p>Score = 3</p> <p>In 2007/08 the Council again maintained its spending within overall budget. It has a clear policy on holding reserves and balances, with target levels reviewed during 2007/08. A range of internal financial health indicators are in place and performance against these is regularly monitored. The Council's overall performance in this area is good.</p> <p>We considered the implications of the Council's deposit of £1m with Landsbanki, which was taken into the ownership of the Icelandic government in October 2008. Whilst we did not identify any significant weaknesses in the Council's arrangements, we concluded that the existence of an at risk deposit of this size was not consistent with the strong outcomes required to support a score of level 4.</p> <p>At level 4 the Council is also required to demonstrate notable practice. The Council provided an example around processes for the collection and recovery of local taxes. Our judgement, which took into account comments from the national consistency panel, concluded that this was an example of good practice, but that it did not demonstrate the level of innovation and best practice required to achieve the excellence associated with level 4</p>

Internal control

Theme score	
Key findings and conclusions	
<p>KLOE 4.1 The Council manages its significant business risks.</p>	<p>Score = 3</p> <p>The Council has a risk management strategy which is reviewed and updated annually. There is a framework of service risk registers, with the identification of risk linked to strategic business objectives. Risk management issues are regularly reported to the Audit Committee.</p> <p>At level 4 it was not clear that a number of the new and amended criteria for this KLOE in 2007/08 had been satisfied, for example the need to produce sustainability impact appraisals for key policy decisions and major projects. We also concluded that the notable practice example submitted by the Council did not sufficiently demonstrate the level of innovation and best practice required to achieve level 4.</p>
<p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.</p>	<p>Score = 3</p> <p>The Council has an assurance framework which maps the Council's corporate objectives to risks, controls and assurances. Effective Audit and Scrutiny Committees are in place. There are appropriate frameworks around standing orders, standing financial instructions and the scheme of delegation.</p> <p>At level 4 not all of the criteria were fully satisfied. The Council did not submit a notable practice example for this KLOE.</p>

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>Score = 3</p> <p>The Council has generally strong arrangements in this area. There is an appropriate framework for monitoring compliance with codes of conduct. Arrangements to counter fraud and corruption are well established. The work of the Standards Committee is widely publicised and there was evidence of appropriate preparation for the role of members in local investigations. There are also robust arrangements for fraud investigation.</p> <p>This KLOE had a significant number of new and amended criteria at Level 4 compared with the previous year. It was not clear that a number of these criteria were satisfied. The Council did not submit a notable practice example for this KLOE.</p>

Value for money

Theme score	
Key findings and conclusions	
KLOE 5.1 The Council currently achieves good value for money.	<p>Score = 4</p> <p>Costs for most services are either below or only marginally higher than the average for the Council's nearest neighbours group. At a national level, 42 per cent of the Council's PIs were in the best performing quartile, compared with 33 per cent for all District Councils.</p> <p>There was evidence of relatively robust satisfaction levels across a range of services, including street cleanliness, benefits administration and the provision of parks, sports and leisure facilities. There was also evidence that the principles of good performance management are firmly embedded and clearly understood by staff at all levels of the Council.</p> <p>The improvement in scoring for 2007/08 partly reflects different assessment criteria, with a greater emphasis on satisfaction levels and achieving corporate priorities.</p>

Key findings and conclusions	
<p>KLOE 5.2 The Council manages and improves value for money.</p>	<p>Score = 4</p> <p>There is regular monitoring and reporting of a range of performance indicators against planned target, previous year's performance, and other Kent councils. The Council has a strong track record of using IT to improve internal processes, as well as services for the public.</p> <p>There is routine use of both the Kent Price Book and CIPFA family group information for benchmarking purposes. There was also evidence that the Council is willing to examine alternative approaches to obtain efficiencies. Consultation processes, including use of the Resident's Panel, appear robust.</p> <p>Overall we concluded that the Council had effective processes in place to monitor and manage value for money.</p>

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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