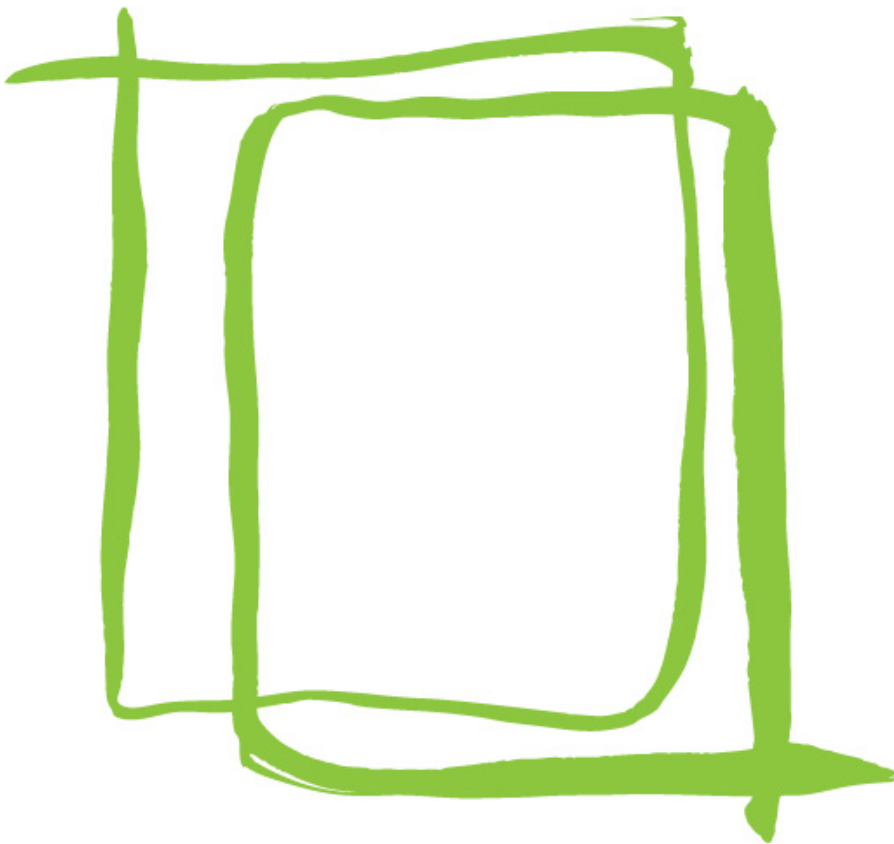


# Use of Resources

Blackburn with Darwen Borough Council

Audit 2008/09

December 2008



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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.

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**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, which were undertaken by Grant Thornton, formerly RSM Robson Rhodes, and updated these for any changes and improvements to the Council's arrangements.
  - 5 The five theme scores for Blackburn with Council are outlined in Table 2. 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**

<b>Key lines of enquiry (KLOEs)</b>	<b>Score 2008</b>	<b>Score 2007</b>
<b>Financial reporting</b>	<b>3</b>	<b>3</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>	<b>3</b>	<b>2</b>
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	2	2
2.2 The Council manages performance against budgets.	3	2
2.3 The Council manages its asset base.	3	3
<b>Financial standing</b>	<b>3</b>	<b>3</b>
3.1 The Council manages its spending within the available resources.	3	3
<b>Internal control</b>	<b>2</b>	<b>2</b>
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.	1	2
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
<b>Value for money</b>	<b>3</b>	<b>3</b>
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

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

**Table 3 Financial reporting**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
The Council has good financial accounting and reporting arrangements in place.	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	The Council produced its 2007/08 accounts in accordance with relevant standards and timescales. A good quality set of accounts and supporting working papers were made available within agreed deadlines and Council staff responded promptly overall to our audit requests. The 2007/08 accounts submitted for audit presented fairly and contained only three non trivial errors, which we reported to those charged with governance.
KLOE 1.2 The Council promotes external accountability.	<p>The Council continues to meet all statutory obligations and makes key documents available to the public through the Council website on a timely basis. Public consultation has shown that there is little appetite for an annual report to be published. However recent household surveys indicate the public would like summary financial information to be published in leaflets delivered to all households. This could be considered for future years to respond to stakeholders needs.</p> <p>The Council should ensure that the available information on its website meets the equalities legislation for race, gender and disabilities, for example, by making the public aware of the availability of different formats.</p>

**Table 4 Financial management**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
Overall the Council plans and manages its finances well and arrangements have improved further in the last year. The Council has got sound arrangements in place to manage its asset base.	
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 arrangements for medium term financial planning have improved in the year but remain adequate overall in 2007/08, as the MTFS was not finalised until November 2007. Although the MTFS is linked to other strategies, such as, human resources and ICT these are only just being finalised because the ICT service has been in transition and the HR service has been heavily involved in the Job Evaluation process.
KLOE 2.2 The Council manages performance against budgets.	The Council has sound arrangements in place for managing performance against budgets. Budgets are set before the beginning of the year and monitored throughout. Improved arrangements around forecasting and reporting have become embedded in the last year. Progress in achieving planned savings and efficiency gains is regularly reported to the Executive Board.
KLOE 2.3 The Council manages its asset base.	The Council has effective arrangements in place for managing and improving the performance of its corporate assets. The property portfolio is being used as an enabler of change and performance indicators and benchmarks are being used to improve corporate asset use. Ongoing monitoring and reporting is at an appropriate level of detail and regular reports on capital and property management have been presented to members throughout the year. Backlog maintenance has been assessed and is included within the capital programme and MTPS. There is evidence of progress in delivering against backlog maintenance plans. The Council is strengthening business planning to more clearly integrate asset management within corporate and service level planning processes but the approach is not yet embedded.

**Table 5 Financial standing**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
The Council manages its finances well keeping spending within available resources.	
KLOE 3.1 The Council manages its spending within the available resources.	The Council continues to manage its spending within its available resources. The Council under spent in the region of £6.5 million in 2007/08 and has a good track record of financial management. The Council monitors and maintains its reserves at an appropriate level. The Council has targets for income collection in respect of council tax and business rates, but not for sundry debts. We understand the Council is in the process of introducing a policy for sundry debts and this expects to be formally introduced and in place for 2009/10.

**Table 6 Internal control**

<b>Theme score 2</b>	
<b>Key findings and conclusions</b>	
The Council's internal control environment has been strengthened in the last year and risk management is good. However Internal audit needs additional resources to ensure it can meet professional standards.	
KLOE 4.1 The Council manages its significant business risks.	<p>A risk management policy and strategy has been in place for a number of years. The introduction of the Management Accountabilities Framework (MAF) from April 2007 has further strengthened and embedded risk management. The Council maintains and reviews its register of corporate business risks on a regular basis, links this to strategic business objectives and assigns named senior individuals to lead on the actions identified, to mitigate the risks.</p> <p>The risk management process is reviewed and updated annually. Appropriate staff are given relevant risk management training. Members with responsibility for risk management have had appropriate awareness training. Members with responsibility for corporate risk management receive reports on a regular basis and take appropriate action to ensure that corporate business risks are being identified and effectively managed.</p>
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	<p>The Council has been strengthening its governance arrangements with the appointment of a Director of Programmes and Governance, the introduction of the MAF from April 2007 and senior officers being involved in the preparation of the Annual Governance Statement (AGS). The Audit Committee reviews and approves the AGS and considers it separately from the accounts. Standing Orders, Standing Financial Instructions and the Scheme of Delegation are all in place and reviewed and updated as appropriate. The Council complies with relevant laws and regulations.</p> <p>However Internal Audit is not operating in accordance with the CIPFA Code of Practice for Internal Audit in Local Government with 5 of the 11 criteria not being met. Plans to strengthen Internal audit resources in the autumn of 2007 had to be put on hold because of the job evaluation exercise and it is only recently that Internal Audit has been given the go ahead to recruit additional staff to enable it to fully meet professional standards. During 2007/08 permanent resources in Internal Audit decreased but additional contract resources were bought in to carry out some core audit jobs.</p> <p>The Council needs to ensure there is a business continuity plan in place for ICT which is reviewed and tested on a regular basis.</p>



## Theme summaries

Theme score 2	
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.	The Council's arrangements for promoting and ensuring probity and propriety in the conduct of its business are adequate overall. Codes of conduct and registers of interest are in place and these monitored appropriately. The Council has a whistle blowing policy that has been communicated to staff and those parties contracting with the Council. However there is scope for the Council to be more proactive in its role to raise the standards of ethical behaviour amongst members and staff, possibly through further training. The lack of Internal Audit resources has hindered the opportunity to undertake more proactive fraud and corruption work.

**Table 7 Value for money**

<b>Theme score</b>	
<b>Key findings and conclusions</b>	
<p>Overall, the Council achieves good value for money and can demonstrate improvements in priority areas. Sound processes are in place internally for reviewing vfm and have led to improvements. Performance management is robustly managed and effectively integrated within financial reports. Partnership working is strong and effective and has delivered benefits for local communities.</p>	
<p>KLOE 5.1 The Council currently achieves good value for money.</p>	<p>The Council has a good understanding of its comparative costs (including unit costs) and spending. The impact of external factors such as deprivation levels have been assessed and managers and members are using this information to better understand the links between costs and the outputs and outcomes achieved. However, given the Council's comparatively high overall spending it is difficult for the Council to evidence that costs demonstrate best value compared to others in all areas. The Council has invested in high cost/poor performing services to achieve improved value for money and where investment has been made improvements are evident for example in educational attainment, benefits and recycling, all priority areas for the Council. Additionally significant improvements are seen in priority baselines for economic and community development, culture and environmental services.</p> <p>However, whilst overall performance continues to improve there are priority areas where comparative performance and levels of resident satisfaction are still stubbornly third and bottom quartile.</p> <p>There is evidence that the Council takes effective action to address unintended high spending where it occurs and the scrutiny function has contributed to improved performance and vfm via scrutiny reviews and the Programme Area Meetings (PAMs) challenge processes. The capital programme is generally well managed with most projects completed to time and budget. Detailed business cases include inbuilt cost analyses and option appraisal and are clearly linked to council priorities. Capital spending decisions take into account revenue implications and financial forecasts are made of the longer term impacts.</p>

## Theme summaries

Theme score	
KLOE 5.1 (continued).	<p>The Council has a strong track record of engaging and consulting with key partners, service users and other key stakeholders and there is evidence that the Council has taken account of this when planning and designing services.</p> <p>Effective partnership working particularly with the LSP has delivered improved outcomes and vfm in priority areas.</p> <p>Targeting of efficiencies has helped to ensure that significant efficiencies can be achieved and priorities delivered. The Council has effective procurement practices and can demonstrate improvements in vfm from both strategic and low cost procurement activity. Joint procurement for example through the East Lancashire e Partnership ELEP and other consortia has delivered benefits and shared service and other partnering arrangements have been used in some areas as a means of increasing capacity to deliver improved services for local people. However, more needs to be done to secure full benefits from procurement.</p>

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# Conclusion

- 7** The Council's performance demonstrates continued improvement in the last year in a number of areas, particularly around financial management and risk management. In most areas the Council performs well and consistently above the minimum requirements. The Council now needs to focus on ensuring Internal Audit is properly resourced and meets professional standards to further strengthen governance arrangements in the Council.

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## Use of resources 2008/09

- 8** 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).
- 9** 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.
- 10** The assessment is structured into three themes as follows.
- Managing finances: sound and strategic financial management.
  - Governing the business: strategic commissioning and good governance.
  - Managing resources: effective management of natural resources, assets and people.
- 11** 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).
- 12** 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.

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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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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

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