

# Use of Resources assessment

Oxford City Council

Audit 2007/08

**January 2009**

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# Contents

<b>Introduction</b>	<b>3</b>
<b>Use of resources judgements</b>	<b>5</b>
<b>Theme summaries</b>	<b>6</b>
<b>Conclusion</b>	<b>11</b>

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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 Oxford City Council and the last under the Comprehensive Performance Assessment (CPA) framework. Next year there will be a new assessment which will form part of the Comprehensive Area Assessment (CAA). The Use of Resources assessment 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 2007/08 financial year and is based on the key lines of enquiry for 2008. Changes to the criteria underpinning the key lines of enquiry (KLOEs) were consulted on in April 2007 and the final KLOEs 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 in Table 1. 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 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 This summary report sets out our key findings for each theme and key areas for improvement. These scores have been confirmed by our national quality control process. This seeks to ensure consistency across all suppliers and on a national basis. The Commission notified you of your Council's overall score of two for use of resources and supporting the theme scores on 8 December 2008. These scores are confidential until the Commission publishes the UoR scores in the new year.
- 6 The overall score for Oxford City Council has improved from 1 last year to 2 for 2007/08 and underpinning that is an improvement in the overall value for money score

from 1 to 2. Last year's scores reflected poorly on the Council and as such it was essential that they achieved an improvement in 2007/08. The value for money score raised significant issues for the Council and they have responded positively in working on this area. Some examples are provided below of the achievements to date that evidence the step forward that the Council has made which is reflected in the improved scores.

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# 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>1</b>	<b>2</b>
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	1	2
1.2 The Council promotes external accountability.	2	3
<b>Financial management</b>	<b>2</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	3
2.3 The Council manages its asset base.	2	2
<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.	2	1
4.2 The Council has arrangements in place to maintain a sound system of internal control.	2	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	2
<b>Value for money</b>	<b>2</b>	<b>1</b>
5.1 The Council currently achieves good value for money.	2	1
5.2 The Council manages and improves value for money.	2	2

# Theme summaries

- 7 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

<b>Theme score 1</b>	
<b>Key findings and conclusions</b>	
The overall score for Financial Reporting has declined because we issued a qualified opinion in October 2008 relating to the cash flow statement.	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	<p>Assessed as level 1 performance.</p> <p>Officers spent considerable time and effort trying to resolve the cash flow statement. However, they were unable to reconcile the note to the cash flow statement to the accounts. Therefore the note was replaced with narrative explanation. We issued a qualified opinion on 8 October 2008 relating to the cash flow statement.</p> <p>The Council needs to ensure that appropriate actions are in place to produce accurate supporting notes to the cash flow statement for 2008-09.</p>
KLOE 1.2 The Council promotes external accountability.	<p>Assessed as level 2 performance.</p> <p>The Council did not produce an Annual Report or summary financial statements by 30 September 2008.</p> <p>The Council needs to consult stakeholders on whether to publish an Annual Report in 2009.</p>

Financial management

<b>Theme score 2</b>	
<b>Key findings and conclusions</b>	
The overall score for Financial Management remains unchanged from our previous assessment.	
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.	Assessed as level 2 performance. The Council has a medium term financial strategy (MTFS) in place. Budgets have been set based on realistic projections and the MTFS explains how the capital programme delivers the Council's strategic priorities. The Council needs to embed its equalities impact assessment that was presented to Executive Board in July 2008.
KLOE 2.2 The Council manages performance against budgets.	Assessed as level 3 performance. Arrangements for managing performance against budgets remain sound. Over time, members and officers have begun to expect more robust monitoring and reporting information. Although there is a formal training programme for members, there is no regular training programme for officers.
KLOE 2.3 The Council manages its asset base.	Assessed as level 2 performance. The Asset Management Plan relates to 2006 although this is currently being updated. The member allocated with responsibility for the Council's asset management had not been in place for the whole year.

**Financial standing**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
The overall score for Financial Standing remains unchanged from our previous assessment.	
KLOE 3.1 The Council manages its spending within the available resources.	Assessed as level 3 performance. The Council sets a balanced budget and has maintained its overall spend within budget. This has been achieved by an extensive cost saving exercise that is being undertaken to secure long term financial balance. The Council has a good track record of achieving these savings.





**Internal control**

<b>Theme score 2</b>	
<b>Key findings and conclusions</b>	
The overall score for Internal Control remains unchanged from our previous assessment although there have been changes within the individual criteria scores.	
KLOE 4.1 The Council manages its significant business risks.	<p>Assessed as level 2 performance.</p> <p>The Council has a risk management strategy in place that has been approved by members. It identifies the corporate and operational risks, assesses the risk for likelihood and impact and identifies mitigating controls and allocates responsibility for these.</p> <p>There has been an overall improvement in risk management. The Council needs to better demonstrate the effectiveness of member reviews of the risk register.</p>
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	<p>Assessed as level 2 performance.</p> <p>The Council produced a revised Annual Governance Statement for its September Audit and Governance Committee which met CIPFA guidance.</p> <p>No explicit assurance framework exists and it isn't easy to see how the Chief Executive and members get their assurance. The Governance Statement lists the principles to support the assurance framework but this hasn't been an ongoing process.</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>Assessed as level 3 performance.</p> <p>The Council has formally adopted a code of conduct for members and staff. Arrangements are in place for monitoring compliance with standards of conduct across the Council; these include registers of interest, gifts and hospitality and a complaints procedure.</p> <p>Counter fraud and corruption policy and whistle blowing policy are communicated to staff.</p> <p>Overall the score has increased and now the Council needs to embed its annual report to standards committee.</p>

## Value for money

<b>Theme score 2</b>	
<b>Key findings and conclusions</b>	
The overall score for value for money has improved, as actual achievement (KLOE 5.1) now meets minimum requirements.	
KLOE 5.1 The Council currently achieves good value for money.	<p>Assessed as level 2 performance.</p> <p>While the Council has high cost services compared with others, it has achieved some marked improvements in delivering better outcomes in services such as strategic housing, homelessness, planning and culture.</p> <p>The Council has opportunities to reduce costs in many service areas. Some major services are poor value for money, specifically street cleansing and leisure.</p>
KLOE 5.2 The Council manages and improves value for money.	<p>Assessed as level 2 performance.</p> <p>The Council made a firm commitment to strengthen its vfm during 2007/08, with clear vfm objectives set out in its 2008 corporate plan and supported by improved strategic, financial and performance management frameworks. It achieved the first £4m phase in reducing revenue expenditure by 25 per cent by March 2009, through a programme of radical efficiencies.</p> <p>The Council is undertaking a major review of leisure services, and has shown strong and sustained political leadership to take this through market testing which will complete in January 2009. It has developed arrangements with Oxfordshire County Council to have a shared service on ICT which will increase investment in technology and a partnership on park and ride which is planned to reduce costs to users, each of which it expects will save £1m over the coming five years.</p> <p>The Council needs to emphasise its detailed service review programme, secure partnership efficiencies, and deliver on its plans to balance revenue, assets and longer term capital in order to better fulfil its priorities for the city of Oxford and its residents. It is important as part of this that the Council follows through on its proposed market testing of waste and the fundamental review of City Works.</p>

# Conclusion

- 8** The Council's performance demonstrates an improvement in a number of areas during 2007/08, particularly risk management and value for money. While the Council has higher cost services compared with others, and some major services are poor value for money, its overall political and managerial management of value for money is more strategic and it has achieved both significant financial savings and some marked improvements in delivering better outcomes in services such as strategic housing, homelessness, landlord services, revenue collection, planning and culture. The major review of leisure services has evidenced strong and sustained political leadership to take this through market testing which will complete in January 2009. Taking a realistic and active approach to service review is a significant step for the Council and one which will help it to continue to achieve improvements in value for money and service delivery.
- 9** This has been a positive year for the Council and the improvements are evidenced in the increase on the overall score from 1 last year to 2 this year on the Use of Resources assessment. The Council is now turning its attention to the 2008-09 Use of Resources framework with its new key lines of enquiry and emphasis on outcome focus.

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## Use of resources 2008/09

- 10** 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).
- 11** 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.
- 12** 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.
- 13** 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 workforce planning.
- 14** 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.

- 15 The Commission's work in this area will continue to be tailored to reflect the specific and unique circumstances of the Council.

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