

Use of Resources

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Last saved: 20/02/2008 14:19:00

# **Use of Resources Auditor Judgements 2007**

**Maidstone Borough Council**

**Audit 2006/07**

- Audit Commission descriptor to be inserted by Publishing-

Document Control

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Filename                                     MBC UoR 2007 Report v2.doc

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## Introduction

- 1 The Use of Resources (UoR) assessment evaluates how well councils manage and use their resources. The assessment is carried out each year and focuses on the importance of 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 is the third assessment we have undertaken at Maidstone Borough Council. Our assessment is based on the key lines of enquiry for 2007. These include new requirements for councils as part of the Commission's approach to phasing in those elements that need more lead in time and to supporting improvement by gradually raising the standard of the assessment. In particular, the status of a number of criteria (as set out in Appendix 1) changed to 'must have' for 2007.
- 3 The period assessed for 2007 has also been aligned with the financial year 2006/07. Councils were, however, allowed to provide evidence that became available after the end of the financial year, to demonstrate their arrangements were working effectively and were embedded.
- 4 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. 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

- 5 In forming our assessment, we have used the methodology set out in the Use of Resources Guidance for Councils 2007, 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.
- 6 The five theme scores for Maidstone Borough Council are outlined overleaf. These scores were confirmed by our national quality control process by letter to the Council on 10 December 2007. This seeks to ensure consistency across all suppliers and on a national basis.

- 7 This summary sets out our key findings in relation to each theme and key areas for improvement. In addition to the improvement opportunities identified in this report, in order for the Council to sustain or to improve upon its current performance at the next assessment, it will need to take into consideration changes made in the key lines of enquiry for 2008 as published in August 2007.

## Key Messages

- 8 Maidstone Borough Council continues to perform well. This assessment only covers the three month period since the end of the last assessment in 2006 where it was assessed at level three overall. Although the Council has been assessed at level three as in 2006, this masks the improvements in arrangements that have been made in that short time with a wide range of notable practice that has been submitted. Should the Council continue to show the innovation and improvement in its efforts to manage and use its resources, then there is no reason why overall level four could not be achieved going forward.
- 9 The Council, since December 2006, has managed to improve its score on the financial reporting KLoE from level two to three. This reflects the improvements the Council put in place for the production of the accounts and annual report. Annual reporting and external accountability generally has been recognised as excellent including some notable practice and achieved level four.
- 10 In fact, there are many areas where the Council has been assessed as having notable practice and demonstrates the Council's desire and commitment to improve and deliver value for money. There are several areas where, if the Council continues to embed arrangements and demonstrate tangible outcomes, this could demonstrate level four performance. For example, should the Kent Price Book demonstrate improvements in value for money of its and other authorities' services, then this could help to improve the Council's score - particularly in value for money.
- 11 The Council should continue to review current arrangements compared to the level four criteria for 2007/08 and ensure they demonstrate the kind of performance the guidance criteria suggests.

## Use of resources judgements

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

<b>Themes and key lines of enquiry (KLOEs)</b>	<b>Score 2007</b>	<b>Score 2006</b>
<b>Financial reporting</b>	<b>3</b>	<b>2</b>
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3	2
1.2 The Council promotes external accountability.	4	3
<b>Financial management</b>	<b>3</b>	<b>3</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	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>3</b>	<b>3</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>	<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	3

## Theme summaries

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

### Financial reporting

**Table 3**

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
<p>Our Annual Governance Report dated September 2007 reported that the 2006/07 audit identified an improvement in arrangements for producing the financial statements. This resulted in the accounts presented for approval being free from material and trivial error and only a small number of typographical and disclosure errors were made. We were presented with good quality working papers at the start of the audit in accordance with our requirements.</p> <p>The Council consults with the public on the format of its annual report and includes incentives for them to respond. It is available in a variety of formats consistent with the needs of its population and is considered notable practice.</p> <p>All committee meetings continue to have their agendas, minutes and reports published on the Council's website.</p>	
<b>Improvement opportunities</b>	
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p>Consolidate the improvements made during the 2006/07 accounts process, for example, by submitting the 2007/08 accounts for audit with only a small number of trivial errors and have a full audit trail through to the figures used in the financial statements.</p>
<p>KLOE 1.2 The Council promotes external accountability.</p>	<p>Continue to assess and document whether methods of communication meet the needs of the Maidstone population, even though currently notable practice. The KLoE has changed in 2007/08 and the Council will need to include information and analysis about its environmental footprint in the annual report or similar document.</p> <p>Look for ways to improve the current service, for example whether the website includes current</p>



<b>Theme score - 3</b>	
	technology, to engage fully with the public and promote access to Maidstone's services.

## Financial management

**Table 4**

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
<p>The Council produced an updated medium-term financial strategy (MTFS) in March 2007 as part of the 2007/08 Budget Book. The MTFS combines the key strategic objectives within the Strategic Plan 2007-10 and takes account of both local improvement priorities and national priorities. There are clear links to other strategies such as the Asset Management Plan. In an improvement from our last assessment, the Council monitors and can demonstrate how its financial plans and strategies have contributed to the achievement of its corporate objectives.</p> <p>Annual budgets are set in line with a scheme of delegation and guidelines issued to budget holders. Budgets are loaded into the main accounting system on a timely basis, and in an improvement from our last assessment, monthly reports are distributed to budget holders within the 10 day target and these are based on full commitment accounting. The Council has comprehensive Cabinet reports covering revenue, capital, balances, tax collection receipts, prudential indicators and treasury management.</p> <p>The Council has an up to date Asset Management Plan which outlines backlog maintenance and the investment required and is linked to the MTFS priorities. The Council has also introduced performance management and uses indicators for suitability, environment, condition and accessibility to assess how the asset base contributes to the achievement of corporate and service objectives. The measures are benchmarked with other authorities via the Institute of Public Finance's Asset Management Network. Additional measures of spend and sufficiency will also be considered shortly. The results of the measures are reported to Members annually. The Council has introduced a new capital evaluation process with detailed criteria through which spending priorities are developed. This ensures that proposals are closely linked to the Council's strategic aims and objectives.</p>	
<b>Improvement opportunities</b>	
KLOE 2.1 The Council's medium-term financial strategy (MTFS), budgets and capital	.

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<b>Theme score - 3</b>	
programme are soundly based and designed to deliver its strategic priorities.	
KLOE 2.2 The Council manages performance against budgets.	Continue to embed the traffic light system implemented in year to focus the executive on key variances. The Cabinet should continue to review the effectiveness and leadership it provides with regard to financial management and take action should weaknesses be identified.
KLOE 2.3 The Council manages its asset base.	The council should develop an approach for the co-ordination of asset management information and its integration with relevant organisational financial information.

## Financial standing

**Table 5**

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
<p>The Council has continued to demonstrate good prudent financial management. There was a significant underspend of £1m in the 2006/07 financial year over and above the budgeted £0.3m underspend. However, this was due to circumstances outside of the Council's control. The Council has again set a balanced budget for 2007/08, reflecting cost pressures and the impact on council tax and is predicting a £0.3m underspend as in 2006/07.</p> <p>The Council has a treasury management strategy that reflects the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services. The Council has continued to embed other good practice such as a high level of performance monitoring.</p> <p>The Council has an Invest to Save scheme and has invested in a range of initiatives including a virtual IT infrastructure. In relation to debt management, the Council is debt free with treasury management arrangements monitored regularly including external benchmarking.</p>	
<b>Improvement opportunities</b>	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p>	<p>The Council should continue to embed current arrangements whilst looking for further ways to introduce savings through innovative schemes.</p>

## Internal control

**Table 6**

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
<p>The Council has a comprehensive risk management strategy which identifies both corporate and operational risks, links to the risk register and is updated annually. All strategic decisions and significant projects include a full assessment of risk. The Council has employed the services of Zurich Municipal in year to overhaul its risk management processes resulting in a new strategic risk register in October 2006. This has now been refocused so that it closely reflects the Council's key objectives as shown in the Strategic Plan. Actions to mitigate strategic risks are reported to the Cabinet on a six monthly basis.</p> <p>All members with responsibility for risk management have received training.</p> <p>Although the Council did not have a fully operational Audit Committee until May 2007, the Shadow Audit Committee has been in place and operational since September 2006. The Council will need to continue to embed arrangements in 2007/08 in accordance with CIPFA guidance.</p> <p>There is a good Internal Audit function which has open access to both senior management and members. The function is currently provided in partnership with Ashford Borough Council which demonstrates good practice although no longer notable as this is replicated in many other authorities nationally. The function has been peer reviewed in 2006/07 which confirmed it operates in accordance with CIPFA standards.</p> <p>All members have signed up to a formally adopted code of conduct that includes the mandatory provisions of the statutory Model Code of Conduct. An officers' code of conduct has been adopted. The Council has put in place arrangements for monitoring compliance with standards of conduct including registers of interests/gifts/hospitality and a complaints procedure. A Standards Committee also operates in accordance with the requirements of the Local Government Act 2000.</p> <p>Anti-fraud and whistleblowing policies are in place and communicated throughout the Council. Arrangements also exist to investigate allegations of fraud and corruption. In an improvement from our last assessment, in March 2007 the whistleblowing policy was communicated to all Council contractors.</p> <p>The Council has been actively investigating data matches reported through the Audit Commission's National Fraud Initiative.</p>	
<b>Improvement opportunities</b>	
KLOE 4.1 The Council manages its significant	The Council should continue to embed the new risk management arrangements started during the

<b>Theme score - 3</b>	
business risks.	year and continue to ensure that all members with such responsibilities receive risk management training.
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	<p>The Council should continue to embed the Audit Committee into the Councils corporate reporting mechanisms and review arrangements in the light of CIPFA/SOLACE guidance.</p> <p>To improve Audit Committee arrangements to level four, the Council will need to demonstrate the impact the Committee has made in 2007/08, <b>for example by producing an annual report of the work of the Committee</b>. The Council also needs to demonstrate it has fully considered the impact and risks involved of partnership working on its governance arrangements.</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.	All the agreed recommendations from internal audit should be actioned by the agreed date. No limited assurance reports noted by internal audit should still be limited on follow up.

## Value for money

**Table 7**

<b>Theme score - 3</b>
<b>Key findings and conclusions</b>
<p>The Council is still providing good value for money overall. Overall costs and unit costs for key services demonstrate best value compared to other councils providing similar levels and standards of services and allowing for the local context. Overall some costs are high, but services are generally of good quality. Maidstone, as a County town, has more extensive recreational and cultural facilities which increases the demands placed upon the Council and increases costs. High cost services therefore represent good value for money. Central services such as benefits, tax collection and corporate/democratic offer good performance with very low costs. Refuse collection and recycling is one of the weaker services at the Council, although costs are low., This is currently being addressed by the Council and we will monitor progress for 2008.</p> <p>The Council has a number of mechanisms to monitor its own costs and to collect comparative cost information. These include conventional budget monitoring, but also comparative information collected through best value reviews and more recently the Business Transformation Programme. This is the principal vfm driver and was part of a systematic three year programme to cover all services. The Council is now 14 months into this programme and can show significant cashable savings of £200k per annum from the first year of the programme against a target of £150K. This is seven to ten per cent of the expenditure of the services reviewed and has been achieved without loss of service quality/alongside service improvements. The programme has at least 20 months to run to cover all key services.</p> <p>The Kent Price book - initiated and championed by the Council - is also substantially complete for the first tranche of services and this will provide excellent quality cost and performance data to facilitate comparison. Although the Council has yet to demonstrate outcomes from this process, the Price Book provides a sound basis for future vfm comparison. However, although the Council has a range of cost, performance and quality monitoring arrangements it does not yet have a comprehensive high level view of comparative vfm. It has not yet set vfm targets as part of its Performance Monitoring System and the Price Book/Business Transformation information is not yet comprehensive. The Council has achieved £1.6m efficiency savings in 2006/07, of which £350,000 are cashable. Cumulative savings are therefore nearly £3.8 million of which £1.2 million are cashable. This is comfortably in excess of the Council's 2.5% target. The Council also significantly improved the overall satisfaction rating as part of the national survey in 2006/07. The Council is making good progress towards improving value for money through the joint procurement of services. For</p>

**Theme score - 3**

example, it has developed a Kent wide cash collection contract, graphic design and printing contracts across Kent and the commissioning of the BVPI satisfaction survey. The Council is also currently involved in Kent wide advertising and training provision tenders and a Housing Stock condition survey involving six Kent districts as well as investigating joint procurement opportunities with integrated payroll and HR systems, member training, the audit service and waste contract. We will monitor the impact of this work on value for money.

**Improvement opportunities**

KLOE 5.1 The Council currently achieves good value for money.	The Council should continue to embed current arrangements whilst ensuring that services which are high cost are delivering high quality results. The Council should concentrate its efforts on improving recycling and waste service and ensure it is delivering good value for money.
KLOE 5.2 The Council manages and improves value for money.	<p>The Council should continue to embed the Kent Price Book and Business Transformation Programme and evidence value for money improvements and outcomes.</p> <p>The Council should build on existing work on joint procurement and joint service delivery with other councils to deliver further value for money improvements.</p> <p>The Council should develop a comprehensive view of value for money across its services and build a comprehensive set of vfm targets into its performance management system</p> <p>The Council should develop a clearer picture of equity across its communities, for example by completing its programme of equality impact assessments.</p>

## Use of resources 2008

- 13 The Commission has published its key lines of enquiry for 2008 on its website. There is an annotated version of the key lines of enquiry available which show all the changes from 2007. This should assist you in pin pointing the changes. We will be reporting our scores and findings from our 2008 assessment to you at a similar time next year.
- 14 The Commission consulted on the changes to the key lines of enquiry for 2008 during April to June 2007. The Commission's response to the consultation can be found on its website. The key lines of enquiry for 2008 reflect some of the changing priorities for councils as they respond to the major challenges facing them and the higher expectations of them. Making further improvements in efficiency will be critical for councils in responding to: the changing demographic profile of communities, increasing public expectations of public services and expected constraints on funding from Government.
- 15 The key lines of enquiry give more emphasis, mainly at level 4, to areas such as: sustainability, working in partnership and using IT to secure service and value for money improvements; strategic asset management and joint procurement. These areas signal the changes which will be given more emphasis in the use of resources assessment under Comprehensive Area Assessment, the new performance framework for local services.



## Appendix 1 – Criteria which gained 'must have' status for 2007

### New criteria in bold type ('must have') for 2007 assessment

- 1 This table summarises criteria which were included in the 2006 KLOEs but were not in bold type and did not have 'must have' status, but which gained such status for the 2007 assessment.

<b>KLOE</b>	<b>Summary of criteria</b>
<b>Financial reporting</b>	
1.1	Requests for information from audit are dealt with promptly (Level 3)
1.2	Summary financial information that meets the needs of a range of stakeholders is published and their views are considered in deciding whether to publish an annual report (Level 3)
<b>Financial management</b>	
2.1	There are arrangements for monitoring cash flow (Level 2)
2.1	The medium-term financial strategy is communicated to staff and stakeholders (Level 3)
2.2	The financial performance of significant partnerships is reviewed (Level 2)
2.2	Profiled financial monitoring reports are produced within ten days of the month-end (Level 3)
2.2	There is a training programme in place for members and staff on financial issues (Level 3)
2.3	A member has been allocated portfolio responsibility for asset management and local performance measures in relation to assets have been developed (Level 3)
<b>Financial standing</b>	
3.1	Collection and recovery of material categories of income is monitored (Level 2)

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<b>KLOE</b>	<b>Summary of criteria</b>
<b>Internal control</b>	
4.1	Appropriate staff are trained in risk management (Level 3)
4.2	Criterion in relation to effective arrangements for internal financial control, for example, carrying out regular bank reconciliations and reconciliations of major feeder systems (Level 2)
4.2	Criterion in relation to business continuity plans as required by the Civil Contingencies Act (Level 2)
4.2	Governance arrangements are in place for significant partnerships (Level 2)
4.2	Arrangements for carrying out the functions of an audit committee are effective (Level 3)
4.2	Standing orders, standing financial instructions and system procedure notes are reviewed and updated as appropriate (Level 3)
4.3	The Council is proactive in raising standards of ethical conduct among members and staff and can demonstrate that counter fraud and corruption work is adequately resourced (Level 3)

## Appendix 2 - Changes to the UoR Key Lines of Enquiry 2008

The key changes to the assessment are summarised here.

KLOE	Level	Summary of change
<b>Financial reporting</b>		
1.1	2	An unqualified opinion in the published statements.
1.2	2 , 3	Published information is available to the public in a timely way and in accessible formats in compliance with duties under the equalities legislation.
1.2	4	The annual report or similar document includes information and analysis about a council's environmental footprint.
<b>Financial management</b>		
2.1	2	The impact of strategies is assessed for their impact to comply with duties under the equalities legislation in relation to race, gender and disabilities.
2.3	3	The asset management plan provides strategic and forward looking goals showing how land and buildings will be used to deliver corporate priorities.  The council holds accurate information on the efficiency, effectiveness and values of assets, to support decision making on investment and disinvestment in assets.
2.3	4	Asset management and planning is fully integrated with business planning
2.3	4	Asset management is used as an enabler of change.  The management of assets is integrated with other local public agencies to identify opportunities for shared use of property and to deliver cross-sector, cross-agency and community-based services to users.
2.3	4	Asset management includes challenge as to whether all assets are fit for purpose, provide value for money and deliver corporate priorities. The council rationalises its holding of property.

<b>Financial standing</b>		
3.1	3	The approved level of balances is adhered to; the council's financial standing is sound and supports the achievement of its long term objectives.
3.1	3	Targets for income collection and recovery of arrears stretch performance and their achievement is monitored with appropriate corrective action taken during the year to achieve the targets.
<b>Internal control</b>		
4.1	4	Reports which support strategic policy decisions and initiate major projects require a risk assessment which includes an appraisal of the impact on sustainable development.
4.2	3	Effective scrutiny function to ensure challenge and improve performance
4.2		'Statement of internal control' has been replaced with 'governance statement'
4.2	4	Evidence of the viability of significant contractors' / partners' business continuity plans.
4.3	2	Preparation for the role of the standards committee in local investigations and determination.
4.3	3	Publicising the work of the standards committee
4.3	3, 4	Enhanced standards for whistle blowing arrangements, demonstrating employees of contracting organisations are aware of the arrangements and staff have confidence in them.
4.3	4	Application forms have fair processing notification permitting data sharing for prevention and detection of fraud and corruption.
<b>Value for money</b>		
5.1	2,3,4	Descriptors for capital programming have been strengthened by including references to the outcomes of a well managed capital programme, i.e. projects are completed on time, to budget and deliver outcomes which are fit for purpose (and for level 4 – transform services for users and citizens).
5.2	2,3,4	Understanding unit and transaction, as well as, overall costs.
5.2	2, 3, 4	Data quality arrangements should be reliable (level 2)

		or exemplary (level 4), and including at level 4, an agreed approach with partners. Auditors will rely on the findings of the data quality audit for this descriptor
5.2	2, 3, 4	The descriptor which assesses community needs and impact of decisions on diverse communities has been revised to better reflect statutory requirements on equality impact assessments. It also makes it clearer that reducing inequality in outcomes ought to be integral to a council's drive to improve VFM.
5.2	2, 3, 4	Demonstrating improvements in value for money by tracking performance over recent years.
5.2	2, 3, 4	More emphasis on stronger, longer-term, full cost evaluation, including (at levels 3 and 4) consideration of environmental and social in its assessments of costs and benefits in decision making.
5.2	2, 3, 4	Improving value for money through partnership working, with an understanding of resources at the disposal of partnerships and planned outcomes. There are opportunities to improve value for money (reduce costs or improve outcomes) through better partnership working. Performance reflects differing levels of engagement with partners to improve outcomes.
5.2	2, 3, 4	Use of ICT to improve services, value for money and access to services.