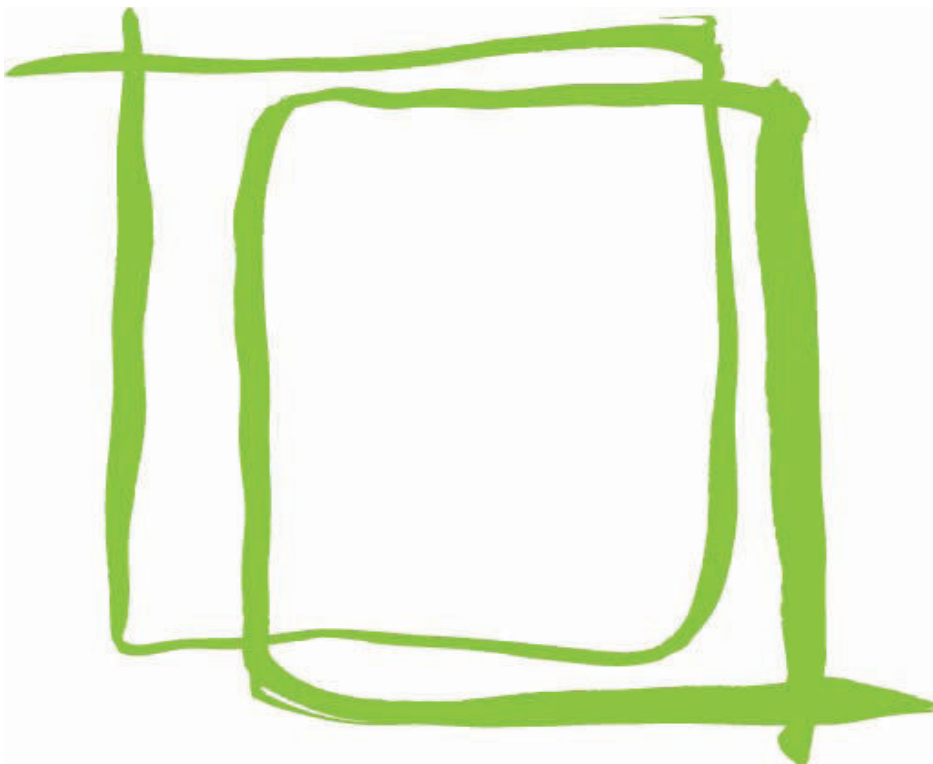


# Use of Resources 2008

Brighton and Hove City Council

Audit 2007/08

December 2008



---

# 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>16</b>

---

## 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.
-

---

# 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.

---

**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 Brighton and Hove City Council are outlined overleaf. These scores are still subject to confirmation by our national quality control process. This seeks to ensure consistency across all suppliers and on a national basis. Consequently we are informing you that the scores reported here may change as a result of national quality control and should not be taken to be final. Following completion of national quality control, the Commission will notify you of your Council's overall score for use of resources and the supporting theme scores. This is scheduled for 8 December 2008.
- 6** Table 2 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 (KLOE)</b>	<b>Score 2008</b>	<b>Score 2007</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	1
1.2 The Council promotes external accountability.	3	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>2</b>
3.1 The Council manages its spending within the available resources.	3	2
<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>2</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

# Theme summaries

- 7 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>	
An unqualified opinion was given on the Council's financial statements for 2007/08 in September 2008. The Council dealt well with changes in accounting requirements particularly those related to financial instruments and publishes key financial reporting information on its website.	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	There has been a marked improvement in 2007/08 in the presentation and accuracy of the accounts and working papers, the responses of staff to queries and the willingness to tackle the more difficult issues arising from SoRP changes. The avoidance of a small number of technical errors would consolidate this improvement. There are improvements needed in accounting for fixed assets but the Council has laid the foundations for addressing this in the future.
KLOE 1.2 The Council promotes external accountability.	The Council has clearly demonstrated its willingness to communicate with stakeholders in a meaningful and accessible way. We were unable to obtain agreement that the published annual report constituted notable practice on the grounds of insufficient evidence of consultation with the public.

Financial management

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
<p>The Council continues to perform well in terms of the linkage between its medium term financial strategy and its priorities, setting soundly based, balanced budgets and managing its performance against those budgets.</p> <p>Management of the Council's asset base continues to show improvement and we noted instances where the Council considers the most effective use of its property in consultation with its partners.</p>	
<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>The Council continues to make improvements in its medium term strategy which is clearly based on detailed directorate plans. It can also demonstrate that business risks are considered in this process. Both the 2006-2009 and 2008-2011 MTFS contain three-year budget figures but they are not comprehensive in their financial forecasting and do not cover earmarked reserves and other balances. Whilst we acknowledge that performance against all PIs is monitored, there is no clear evidence that the Council is linking these specifically to their corporate objectives.</p> <p>The Council has demonstrated an understanding of the need for equality impact assessments and has provided directorates with comprehensive guidance and a template for completion of these. They have been able to provide examples of assessments completed within 2007/08 and this work should be continued.</p>

Theme score - 3	
KLOE 2.2 The Council manages performance against budgets.	The Council has improved its performance in this area significantly with much more detailed budget reporting and a greater appreciation of the causes of forecast overspends. When these occur action plans are developed at directorate and corporate level to bring spending back in line with budgets and directorates are indicating a collective responsibility for the overall budget. The Council completed its self assessment against the CIPFA Financial Management guidelines and has been very honest about developing a plan which was approved by members in 2007 with a timetable for dealing with the weaknesses that the assessment revealed. The Council's response to the significant overspend on concessionary fares in 2007/08 is a good example of action plans and collective responsibility working well to bring total expenditure back in line with overall budgets.
KLOE 2.3 The Council manages its asset base.	Whilst the council has improved its performance in this area, demonstrating an appreciation of how a proactive asset management policy can lead to service improvements and evaluating its property assets against a number of indicators, there is insufficient evidence of action to improve performance where it is poor or where benchmarking information suggests that improvements could be made. There are good examples of joint strategies for property assets involving health partners and other areas where the Council is performing well but 56 per cent of the Housing Revenue Account does not meet the decent homes standard and this will continue to limit the Council's ability to improve its score for this KLOE.



---

### Financial standing

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
The Council continues to adhere to its budgets and maintain its desired level of reserves demonstrating its ability to identify its overall resource position and manage its performance within that limit.	
KLOE 3.1 The Council manages its spending within the available resources.	The council is demonstrating considerable improvements generally across the financial standing criteria and is particularly seeing the benefit of the arrangements that are now in place regarding income collection. There is a clear understanding of the use of different collection methods for different income streams and the foundations for future improvements in income management have now been laid.

Internal control

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
The Council continues to perform well in the associated areas of risk management, internal control and member and officer conduct.	
KLOE 4.1 The Council manages its significant business risks.	The Council has improved its performance in all areas of risk management and has demonstrated that it is embedded in normal business processes. There has been effort put into ensuring that officers are aware of the importance of identifying and managing risks and there is a process for ensuring that they are escalated when necessary. There is also evidence of business plans altering to account for the re-prioritising of risk within directorates. Whilst there was a variety of Risk Management training courses provided as part of the Member's Induction Programme May - September 2007, there was less delivery of training from October 2007 as the new Constitution and Members' roles became established. There is a need for continual commitment by all members to Risk Management and for increased attendance by Members at training courses, at One-to-One sessions with the Risk and Opportunity Management or by accessing the e-learning programmes available on this topic.
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	The Council continues to improve its arrangements in this area and has dealt satisfactorily with the new requirement for a Governance Statement. We highlighted in the Annual Governance Report, two areas of weakness in internal control; one related to payroll and one to an increasing use of budgetary control as a key control despite it being untested for operational robustness. Instances of internal control weakness reported in the AGR inevitably limit the Council's ability to achieve a higher score for this KLOE.

## Theme summaries

Theme score - 3	
<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>The Council has continued to improve its arrangements across all areas related to the conduct of its officers and members through workshops designed to embed an anti fraud culture and the foundations are now laid for further improvements in the future. There was, however, a specific instance of the leaking of information to the press related to a high profile and highly sensitive issue regarding the Council's waste PFI and this has limited the Council's ability to improve on last year's score.</p>

Value for money

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
The Council has demonstrated significant improvements in value for money in 2007/08 which is reflected in the improved score.	
KLOE 5.1 The Council currently achieves good value for money.	<p>Council services represent good value for money. The Council’s areas of high spending are in line with the stated priorities and in some key areas such as homelessness and intensive home care services for adults investment is resulting in improved services, service redesign to ensure services are fit for purpose and an improved service offer. The Council has also started to take appropriate action to improve VFM in services, where high spend has not yet been reflected in significant improvements in service delivery and performance, for example, in housing management. The Council has a successful track record of investing in services to secure improvement, for example planning and waste and recycling, and has a good understanding of the local contextual impact on the demand for certain services such as street cleaning and refuse services and mental health services. The Council is also effectively targeting specific services that have a history of high spending and/or high unit costs, for example, children’s social care where improvements are being made in the commissioning of placements and, the management and control of demand and costs. The Council has a systematic approach for managing, monitoring and addressing its high spending services through its ‘corporate critical budgets’ process, VFM improvement programme and service review processes.</p> <p>The Council has a well managed capital programme linked to priorities with most projects completed on time and within budget. In 2007/08, the capital programme budget was under spent and the low level of programme slippage at 3.48 per cent surpassed the council target of 5 per cent.</p>

Theme score - 3	
<p>KLOE 5.2 The Council manages and improves value for money.</p>	<p>The Council is effectively managing and making some improvements to VFM within its services. The Council's administration is fully committed to securing VFM with 'better use of public money' being one of the Council's corporate priorities and it has a consistent and comprehensive corporate process for improving VFM through its VFM review programme started in July 2007. The VFM improvement programme has begun to generate some tangible outcomes and improvements in service delivery, for example, reduced unit costs in day care services for older people and some small reductions in looked after children numbers. However, many of the VFM review recommendations, such as the redirecting of SEN funding from specialist provision into mainstream schools and the income generation projects across cultural services will secure measurable improvements in the medium to longer term. The Council also continues to focus on 'corporate critical budgets', such as adult learning disabilities, SEN provision and the costs of services for Looked After Children. Cost drivers in these areas are scrutinised and reviewed by members and officers and there have been some measurable improvements in cost and performance for example, £0.7m efficiencies in learning disabilities in 2007/08 and a slight reduction in the number of SEN placements out of the Council's geographic area. The Council has, through these mechanisms, targeted service areas that have mixed cost and performance outcomes, and it has made significant progress in 2007/08 embedding a VFM culture within the directorates. In addition, the introduction of clear frameworks and processes has ensured a systematic and consistent approach to VFM is now followed across the Council.</p>

## Theme score - 3

A culture of comparison is becoming embedded within the Council. Senior managers are regularly reviewing relative costs to performance and have a clear understanding about their local context and the needs of the community. Comprehensive needs analysis like the 'Reducing Inequality Review (RIR)' has strengthened the Council's and its partners' understanding of local need and is being used to shape and redesign services. Benchmarking and unit cost comparisons are used and comparative cost and resource benchmarking is widely applied with Libraries, Adults and CYPT being well-established members of CIPFA and South East benchmarking clubs. There is a business case approach to investment and procurement decisions and the Council has good data quality arrangements in place. The Council is able to demonstrate that it systematically compares itself with other authorities through the use of well-founded benchmarking.

The Council has developed an effective approach to procurement. It has made significant efficiency gains, through its Gershon programme, exceeding its overall efficiency target by £4.5m and its cashable element target by £9.15m in 2007/08. It has also improved purchasing arrangements such as procuring stationery through the Sussex stationery consortium and improved contract letting mechanisms for home to schools transport which will deliver respective savings of £97,000 and £132,000. It also has an established Waste PFI with East Sussex County Council and is embarking, in partnership with health, on the development of an extra care housing scheme for disabled adults in the City. The Council is further developing its approach to framework contracts and more effective procurement in partnership with others, most notably through the Sussex Procurement Group and the Sussex Improvement Partnership, where in partnership with the Sussex County Councils, it is looking at shared service solutions, improved performance management and leadership development.

Theme score - 3	
	<p>The Council has not yet mapped costs across the partnership to determine total spend, but is undertaking an exercise to determine what the multi-agency spend for particular functions in a specific area are. This however, is at the embryonic stage.</p> <p>The new planning frameworks, policy setting processes, business case approaches and options appraisals now incorporate equality impact assessments to ensure that savings or changes to service delivery are not made without due regard to outcomes, equality of access and community need. The Council has embarked on an equality impact assessment programme that will review all service areas over the next three years. The revised Council procurement strategy 2008-2011 requires procurement practices to deliver both quality and benefits not only for the organisation, but the local economy and taxpayer while protecting the environment. This means that policy frameworks, business and procurement processes are seeking improved service delivery and quality within a clear ethical framework.</p> <p>The Council has a strategic approach in seeking external funding and is using it to deliver required outcomes and increased value for local people. Significant examples include the investment in the Hollingdean waste facility to reduce waste collection and disposal costs and the Waste PFI. The Council has also invested in information technology to improve efficiency and access to services, for example through the deployment of virtual technologies to reduce the number of physical servers and improved data lines to meet user demand in the libraries and museums.</p> <p>The Council needs to ensure future outcomes in improving value for money by continuing to tackle high cost services (where this is not demonstrable due to local factors or high priority) and the redesign of services to improve efficiency and the customer experience.</p>

---

# Conclusion

- 8** The Council's performance demonstrates a commitment to improvement across most areas of its undertaking and progress is clearly being made. Overall the Council is performing consistently above minimum standards. In particular we acknowledge that it is now operating at this level for value for money.

---

## 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. 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). For district councils, auditors will assess work force planning.
- 13** 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

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

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.

---

## Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2008

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

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

