

# Darlington Borough Council

## CPA Use of Resources – 2008 Assessment Results

Ada Burns  
Chief Executive  
Darlington Borough Council  
Town Hall  
Feethams  
Darlington  
Co Durham  
DL1 5QT

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Dear Ada

**CPA – 2008 Use of Resources – Assessment Results**

We are pleased to present the summary results of our assessment of the Council's Use of Resources for 2008, which has been completed in accordance with the methodology and guidance issued by the Audit Commission.

Yours sincerely

PricewaterhouseCoopers LLP

**PricewaterhouseCoopers LLP**  
89 Sandyford Road  
Newcastle upon Tyne  
NE1 8HW  
Telephone +44 (0) 191 232 8493  
Facsimile +44 (0) 191 269 3244  
Direct Phone 0191 269 4422

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**Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies**

*In March 2005 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.*

# Introduction

## Introduction

We have completed our 2008 assessment of Darlington Borough Council's Use of Resources in accordance with the methodology and guidance prescribed by the Audit Commission. This is the fourth year that the Council has been assessed in accordance with this methodology.

We have updated our understanding of the arrangements in place at the Council. We have focused on areas where the criteria have been emboldened from the previous year and on areas where the Council has implemented changes and developments to respond to our Action Plan Report from last year's assessment.

The results have been subject to PwC and Audit Commission quality assurance arrangements designed to ensure compliance with the relevant methodology and guidance and to promote consistency of assessment between appointed auditors.

The table in Section 1 summarises the results for 2006 to 2008. The tables in Section 2 set out the detailed results of the 2008 assessment and highlight areas for improvement, based on the criteria devised by the Audit Commission. Each judgement area consists of a number of key lines of enquiry and areas of audit focus and evidence. There are also descriptions of performance against each key line of enquiry showing performance levels

1, 2, 3 and 4.

These translate into the following assessments:

4 = well above minimum requirements – performing strongly

3 = consistently above minimum requirements – performing well

2 = meeting minimum requirements – adequate performance

1 = below minimum requirements – inadequate performance

Our assessment is based on the key lines of enquiry for 2008.

## Use of resources under CAA

Next year, in respect of 2008/09, the Council will be subject to the new Comprehensive Area Assessment (CAA), and this will change the way in which Use of Resources is assessed and reported. The new arrangements are considered separately in the Section 3 of this report, which will highlight the specific areas of challenge facing Darlington Borough Council against the new assessment requirements.

# Section 1: Summary of results

## Summary of results

The table below sets out the Council's 2006 to 2008 assessment results:

	2006	2007	2008
<b>Financial reporting</b>			
1.1 Accounts compliant with standards	3	3	4
1.2 Promotes external accountability	3	3	3
<b>Score for theme</b>	<b>3</b>	<b>3</b>	<b>4</b>
<b>Financial Management</b>			
2.1 MTFS delivers strategic priorities	3	3	3
2.2 Manages performance against budgets	2	3	3
2.3 Manages its asset base	3	3	3
<b>Score for theme</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Financial Standing</b>			
3.1 Manages spending within available resources	2	3	3
<b>Score for theme</b>	<b>2</b>	<b>3</b>	<b>3</b>
<b>Internal Control</b>			
4.1 Manages significant business risks	3	4	4
4.2 Maintains a sound system of Internal control	3	3	4
4.3 Promotes and assures probity and propriety	3	3	3
<b>Score for theme</b>	<b>3</b>	<b>3</b>	<b>4</b>
<b>Value for Money</b>			
5.1 Achieves value for money	3	4	4
5.2 Manages and improves value for money	3	3	4
<b>Score for theme</b>	<b>3</b>	<b>4</b>	<b>4</b>

# Section 2: Detailed assessment results

<b>Financial Reporting</b> How good are the Council's financial accounting and reporting arrangements?		<b>4</b>
<b>Overview</b> The quality of the 2007/08 draft financial statements and the supporting working papers was high. Improvements made to the processes used to prepare the statement of accounts meant that amendments arising from audit were only minor or cosmetic in nature. The Council presents key financial information to stakeholders, including the public, through summary accounts, underpinned by effective consultation with users. The Council routinely complies with the Accounts and Audit Regulations (2003) and the relevant amendment orders in relation to external accountability.		
<b>Key Lines of Enquiry</b> <ul style="list-style-type: none"> <li>The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers</li> <li>The Council promotes external accountability</li> </ul>		<b>4</b>  <b>3</b>
<b>Areas for Improvement</b> <ul style="list-style-type: none"> <li>There are few significant changes to the SORP for 2008/09, however officers of the Council should continue to prepare for the implementation of IFRS. Advance preparation will ensure that the accounts are fully SORP compliant and presentational issues are minimised.</li> <li>Officers will need to ensure that they understand the Council's environmental footprint. Information on this should be presented to stakeholders in a meaningful way in the Annual Report.</li> </ul>		

## Financial Management

How well does the Council plan and manage its finances?

3

### Overview

The Council maintained a sound financial management regime during the financial year. We have, once again, rated the arrangements a '3' overall against the Audit Commission's criteria.

The Council's medium term financial plan is soundly based and designed to deliver its strategic priorities.

The Council is proactively managing performance against budget and reports finance and performance in a combined document.

The Council manages its asset base effectively and ensures that its assets are utilised.

We have highlighted areas for further improvement, based on the Audit Commission's criteria for best practice.

### Key Lines of Enquiry

- The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities
- The organisation manages performance against budgets
- The Council manages its asset base

3  
3  
3

### Areas for Improvement

- The Council should ensure that it is considering joint financial plans with partners and other stakeholders; as well as identifying and modelling future developments and balances/resource requirements.
- The Council should receive specific accrued revenue reports at key points during the year, including significant revenue account items and balances, as well as the update on reserve position.
- The Council should review its asset base and develop performance measures and benchmarks to evaluate how the asset base contributes to Council objectives.

<b>Financial Standing</b> How well does the Council safeguard its financial standing?		<b>3</b>
<b>Overview</b> We have rated the arrangements a '3' overall against the Audit Commission's criteria. The Council has maintained their financial standing arrangements and regularly review and monitor their budgets to ensure that they maintain overall spending within budget and put plans in place for recovering overspends.		
<b>Key Lines of Enquiry</b> <ul style="list-style-type: none"> <li>The Council manages its spending within the available resources</li> </ul>		<b>3</b>
<b>Areas for Improvement</b> <ul style="list-style-type: none"> <li>The Council should set challenging targets for a comprehensive set of financial health indicators and monitor performance against these.</li> </ul>		



## Internal Control

How well does the Council's internal control environment enable it to manage its significant business risks?

4

### Overview

The Council has improved the overall score for this theme from a '3' in 2007 to a '4' in 2008.

Risk management has continued to be embedded in the corporate business processes at the Council with a focus on positive as well as negative risks.

The Council has an Audit Committee in place to provide challenge to the risk management process.

The Council has embedded the Partnership Working Toolkit as a means to ensure that the Council's resources are effectively employed, the performance of each partnership is monitored and that adequate governance arrangements are in place.

### Key Lines of Enquiry

- The Council manages its significant business risks
- The Council has arrangements in place to maintain a sound system of internal control
- The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business

4

4

3

### Areas for Improvement

- The Council should ensure that a training log is maintained to demonstrate that all Members have received risk management awareness training appropriate to their needs and responsibilities.
- The Council should evidence, through the Partnership Working Toolkit, that they are assessing the financial viability of each significant partner or contractor on a risk basis.
- The Council should put procedures in place to measure staff confidence in the whistleblowing policy.

**Overview**

The Council provides high performing services which are reflected by their recent inspection results. The Council can demonstrate a clear improvement trend across most cost areas in terms of both performance and cost. Costs and performance both compare favourably with both the all unitary group and the near neighbour comparator groups.

There is evidence of effective resource redirection to support priority areas.

These and other scheme have allowed the Council to redirect money into social services to address emerging trends - their express intention is to increase spend to the median level for all unitary authorities.

Additionally, the Council has reviewed its administration arrangements and has entered into a strategic partnership with Stockton Borough Council. It has also invested in its procurement function in order to move from a “reactive” approach to a proactive approach based on analysis of spend.

The Council has a proven track record for providing clear information on cost and performance which is demonstrated by their monthly cost and performance reporting arrangements. Value for Money is embedded across the Council with a dedicated VFM team established within the Chief Executive Office.

**Key Lines of Enquiry**

- The Council currently achieves good value for money
- The Council manages and improves value for money

4

4

**Areas for Improvement**

- The Council should establish a system to capture savings across all initiatives.
- The Council should continue to develop its benefits realisation process.

# Section 3: 2008 Use of Resources assessment under CAA

## Background

In October 2006, the Government released its white paper on Public Sector reform, “Strong and Prosperous Communities”, and followed this with the Local Government and Public Involvement in Health Act (2007). This constructed the legal foundation for a fundamental change in approach to local performance frameworks, from which the Comprehensive Area Assessment (CAA) was developed.

Following stakeholder consultation and piloting in 2007 and 2008, the CAA has been designed to make straightforward information available to local people by crosscutting public services, which are increasingly acting in partnership to deliver strategies and programmes to tackle the challenges facing communities.

The CAA is designed to have two elements which will inform each other:

- **An Area Assessment** – This will inform communities how well local public services are delivering better results for local people in local priorities, such as health, economic prospects and community safety.
- **Organisational Assessments** – These will assess individual public bodies. For Councils, this will combine the Use of Resources Assessment with Managing Performance themes into a combined assessment of organisational effectiveness.

## Organisational Assessment

Following recommendations from the Joint Inspectorate Proposals for Consultation – Summer 2008, each Organisational Assessment will be based on four themes that will be reported in a single report. This will consist of three themes to make up the Use of Resources Assessment and one theme to cover Managing Performance. The themes will cover how effectively the Council:

- **Manages Finances** – Manages its finances to deliver value for money
- **Governs the Business** – Governs itself and commissions services that provide value for money and deliver better outcomes for local people
- **Manages Resources** – Manages its natural resources, physical assets and people to meet current and future needs and deliver value for money.
- **Manages Performance** – Delivers services, outcomes and sustainable improvements in its priorities that are important locally

The 2009 use of resources assessment framework is more demanding than previous assessments. It is broader in scope and embraces wider resource issues such as people and workforce planning, and the use of natural resources. It also places more emphasis on considering outcomes for local people. It is particularly important to recognise that the KLOE are more strategic and focus much more explicitly than previously on value for money achievements rather than on processes. There is also more emphasis on

the quality of data underpinning planning, decision making and assessing the effectiveness of services.

The basis of scoring on a scale from level 1 to level 4 will remain consistent with prior years however the descriptors applied to the different levels have changed and are themselves more demanding. To give a score of 4 the auditor must be satisfied that the body's performance is excellent across the entire scope of the KLOE and across the full range of services. The auditor must therefore have evidence that strong arrangements have led to demonstrably excellent value for money outcomes throughout the year under review. It will no longer be sufficient to demonstrate 'notable practice' in discrete areas.

### **Impact on Darlington Borough Council**

To assist the Council in preparing for the 2008/09 assessment, we have summarised some of the key challenges facing the Council under the new assessment framework, based on our understanding of the new framework and the 2007/08 assessment work performed to date:

- Demonstrating and evidencing innovation and best practice through outputs and outcomes rather than processes.
- Evidencing engagement with stakeholders and the local community in financial and strategic planning.
- Evidencing the role of partnerships and stakeholder involvement in joint commissioning.
- Demonstrate that it is working with partners to ensure the integrity of shared data.

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