

Key lines of enquiry for use of resources

2007 assessments

To be used in conjunction with *Use of Resources Guidance for Councils*
for assessments covering the 2006/07 financial year

Issued November 2006

1. FINANCIAL REPORTING		
How good are the council's financial accounting and reporting arrangements?		
Key line of enquiry		
1.1 The council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers		
Audit Focus		
Evidence that:		
<ul style="list-style-type: none"> the council's accounts are compiled in accordance with statutory and professional reporting standards the council's accounts are supported by comprehensive working papers the accounts and supporting working papers are prepared and approved in accordance with relevant timetables 		
Criteria for Judgement		
Level 2	Level 3	Level 4
<p>* The council's accounts were prepared in accordance with statutory requirements, statutory/regulatory timetables, relevant accounting and reporting standards, and the council's agreed accounting policies.</p> <p>* The auditor received auditable accounts, including a complete set of financial statements, disclosures and notes, in accordance with the timetable agreed with the audited body.</p> <p>*The accounts submitted for audit presented fairly, but contained several non-trivial errors.</p> <p>* Comprehensive working papers supporting the accounts were provided at the start of the audit to the standard specified by the auditor.</p> <p>* Guidance made available to staff on final accounts closedown procedures, including relevant timetables agreed with the auditor and allocation of tasks to individual members of staff, were adhered to.</p>	<p>* The accounts submitted for audit presented fairly and contained only a small number of non-trivial errors.</p> <p>* All additional requests from the auditor were responded to promptly in accordance with any agreed deadlines. (now bold)</p> <p>* The accounts submitted to the council/committee meeting at which they were approved were accompanied by an explanatory paper providing interpretation of the accounts and highlighting key issues for the benefit of members.</p> <p>* The accounts were subject to robust member scrutiny prior to approval.</p>	<p>The accounts submitted for audit presented fairly and contained only errors considered 'clearly trivial'.</p> <p>The quality of the working papers provided was exemplary.</p>

Use of resources

*** The council ensured that appropriate, knowledgeable and skilled staff were available to deal with external auditors' queries, to substantiate assertions, and to explain items of account.**

*** The auditor gave an unqualified opinion.**

1. FINANCIAL REPORTING		
How good are the council's financial accounting and reporting arrangements?		
Key line of enquiry		
1.2 The council promotes external accountability		
Audit Focus		
Evidence that:		
<ul style="list-style-type: none"> the council publishes its accounts in accordance with statutory requirements the council publishes summary accounts/annual report in a way that is accessible to the public 		
Criteria for Judgement		
Level 2	Level 3	Level 4
<p>* The council publishes its accounts and publicises how local electors can exercise their rights, in accordance with the requirements of the Accounts & Audit Regulations 2003.</p> <p>* The council publishes the annual audit letter in accordance with the requirements of the Accounts & Audit Regulations 2003.</p> <p>* The agenda, reports and minutes for meetings of full council, committees and scrutiny panels are made available to the public (for example on the council's website) on a timely basis.</p>	<p>* The council can demonstrate that it is considering the views of a range of stakeholders in making its decision whether to publish an annual report. (now bold)</p> <p>* The council publishes summary financial information that meets the needs of a range of stakeholders. (now bold)</p> <p>* The most recent published accounts, in either full or summary format, are available on the council's website.</p> <p>* The most recent published annual audit letter is available on the council's website.</p>	<p>The council publishes an annual report or similar document which includes summary accounts and an explanation of key financial information/technical terms designed to be understandable by members of the public.</p> <p>The annual report or similar document is available in a wide variety of formats to meet local user needs (for example different languages, large print, speaking version).</p>

2. FINANCIAL MANAGEMENT		
How well does the council plan and manage its finances?		
Key line of enquiry		
2.1 The council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities		
Audit Focus		
Evidence that:		
<ul style="list-style-type: none"> the council's corporate business plan (that sets out its aims and objectives) is linked to its financial planning and management the council's budgets and capital programme are based on robust medium-term financial projections and risk assessments 		
Criteria for Judgement		
Level 2	Level 3	Level 4
<p>* The council has put in place a medium-term (three year) financial strategy which is linked to its key strategic objectives, and takes account of both local improvement priorities and national priorities.</p> <p>* The medium-term financial strategy models' income and expenditure over a minimum of three years and is reviewed and updated at least annually.</p> <p>* A comprehensive and balanced revenue budget has been set, based on realistic projections about pay, inflation, and known service and capital development plans.</p> <p>* The financing of expenditure is transparently explained in budget summaries and reports.</p> <p>* Budgets are revised annually in light of the reasons for and consequences of the previous year's outturn and are linked to the medium-term financial strategy.</p> <p>* An affordable capital programme has been agreed and the current and future funding of</p>	<p>* Business planning is integrated with financial planning.</p> <p>* The corporate business plan drives the medium-term financial strategy and internal resource allocation, with changes in allocations determined in accordance with policies and priorities.</p> <p>The corporate business plan projects forward at least three years and takes account of each of the following:</p> <ul style="list-style-type: none"> stakeholder and partner consultation external drivers, including funding variations and requirements to improve efficiency capital investment plans and their revenue implications risk assessments and financial contingency planning sensitivity analysis expected developments in services. <p>* The council's medium-term financial strategy is linked to other internal strategies/plans as appropriate, such as human resources, IT.</p> <p>* The key messages from the council's</p>	<p>The medium-term financial strategy describes in financial terms joint plans agreed with partners and other stakeholders.</p> <p>The medium-term financial strategy models balances and resource requirements over a minimum of three years.</p> <p>The council identifies future developments that may impact on its financial management arrangements and proactively manages them.</p> <p>The council monitors and can demonstrate how its financial plans and strategies have contributed to the achievement of its corporate objectives.</p>

<p>this is built into revenue planning.</p> <ul style="list-style-type: none"> * Budget holders are involved in the budget setting process. * Budgets are subject to review by senior officers and members. * Each capital and revenue budget is assigned to the individual manager best able to use and control it. * The council undertakes cash-flow monitoring which is used to inform short- and long-term investment decisions. (now bold) * The budget reported to members includes a positive assurance statement from the chief finance officer about the robustness of estimates made for the purposes of the budget calculations, in accordance with the requirements of section 25 of the LG Act 2003. * Prudential indicators are applied in assessing the affordability of capital projects. 	<p>medium-term financial strategy are communicated to staff and stakeholders as appropriate. (now bold)</p> <ul style="list-style-type: none"> * Budgets are linked to: <ul style="list-style-type: none"> • the medium-term financial strategy and high level budgets for future years within this • business and activity plans • risk assessments of material items of revenue and capital income and expenditure, incorporating lessons learned from previous years <p>The council regularly reviews financial management arrangements to ensure that they remain 'fit for purpose', and keeps the financial services function under review to consider capacity, resourcing and training needs.</p> <ul style="list-style-type: none"> * There are project appraisals, business plans and affordability tests for new policy and capital developments. 	
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2. FINANCIAL MANAGEMENT		
How well does the council plan and manage its finances?		
Key line of enquiry		
2.2 The council manages performance against budgets		
Audit Focus		
Evidence that:		
<ul style="list-style-type: none"> the council has arrangements in place for monitoring performance against budgets, taking corrective action where appropriate, and reporting the results to senior officers and members the council's financial information systems meet users' needs 		
Criteria for Judgement		
Level 2	Level 3	Level 4
<p>* Budgets are input to the main accounting system on a timely basis, at an appropriate level of detail.</p> <p>* There is a formal scheme of budget delegation.</p> <p>* There is guidance available to budget holders which includes a description of their responsibilities, an outline of the budget process, and a budget process timetable.</p> <p>* Budgets are approved before the start of the year and monitored regularly throughout the year.</p> <p>* Action plans are developed when a material variance arises or a deficit is forecast.</p> <p>* The appropriate member committee receives budget monitoring information that is accurate, relevant, understandable and consistent with underlying records, and data is as up to date as possible when reported.</p>	<p>The council's financial information systems have flexible reporting tools to enable specialist reports to be designed.</p> <p>* The council produces accurate and meaningful profiled financial monitoring reports for all budget holders within ten working days of the month end. (now bold)</p> <p>* There is a regular training programme providing training on financial issues for members and relevant non-finance staff. (now bold)</p> <p>* Relevant non-financial and financial information, in addition to the budget, is reported to members and acted upon.</p> <p>* The council uses agreed processes to adjust and approve budgets in year if major programmes are varied by more than pre-set tolerances.</p> <p>* The council's budget monitoring is:</p> <ul style="list-style-type: none"> predictive rather than backward looking 	<p>The council ensures through regular testing of its financial systems that the report outputs are timely, accurate, reliable, clear, in a convenient format (hard copy and online, in summary and in detail, as appropriate) and readily understood by their recipients.</p> <p>The Executive has reviewed its effectiveness and the leadership it provides with regard to financial management, and is taking appropriate action to address areas of weakness.</p> <p>There is a 'traffic light' system (or similar) in place to focus the Executive on key variances, and there is evidence that these are acted upon.</p> <p>The Executive receives accrued financial monitoring reports at appropriate key points during the year, including significant revenue account items and balances.</p> <p>The council consults with, advises and trains users so that it develops and provides the financial information systems to meet their needs.</p>

<p>* Relevant non-financial and financial information, in addition to the budget, is reported to and used by senior officers.</p> <p>* There is a line of professional accountability between those with principal functional responsibility for finance within business groups and the chief finance officer, to ensure compliance with professional standards and objectivity of advice on financial matters.</p> <p>* The budget shows the resources allocated to major spending activities and programmes, with user-friendly summaries, and separate identification of revenue and capital items to ensure focus on use of resources.</p> <p>* The council regularly tests its financial systems to ensure that their processes are secure.</p> <p>* Where any significant departmental overspends have occurred they have been managed with no adverse impact on service delivery.</p> <p>* The financial performance of significant partnerships is regularly reviewed, linked to outputs, and the results shared with partners and acted upon. (now bold)</p>	<ul style="list-style-type: none"> • focused on large, high risk or volatile budgets • related to operational activity indicators that are lead indicators of spend • informed by a risk assessment. <p>* Progress in achieving planned savings and efficiency gains is regularly reported to senior management with developed action plans.</p> <p>* No significant departmental overspends/underspends have occurred that were not identified as a risk which was taken into account in developing the council's reserves strategy, and the associated underlying budgetary pressures are being managed effectively over time.</p>	<p>Savings and efficiency gains are profiled over the year and there is monitoring throughout the period by members to ensure their achievement.</p>
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2. FINANCIAL MANAGEMENT		
How well does the council plan and manage its finances?		
Key line of enquiry		
2.3 The council manages its asset base		
Audit Focus		
Evidence that:		
<ul style="list-style-type: none"> the council has a capital strategy and fixed asset management plan the council reports to members on asset management 		
Criteria for Judgement		
Level 2	Level 3	Level 4
<p>* The council has an up-to-date corporate capital strategy linked to its corporate objectives and medium-term financial strategy.</p> <p>* The council has an up-to-date asset management plan that details existing asset management arrangements and outcomes, and planned action to improve corporate asset use.</p> <p>* The council maintains an up-to-date asset register.</p> <p>* The council has a designated corporate property function.</p> <p>* The council's arrangements for reporting to members are sufficient to ensure that they fulfil their responsibility in relation to the council's land and buildings portfolio at both a strategic and service level.</p> <p>* The council has an annual programme of planned maintenance based on a rolling programme of property surveys.</p> <p>* The council has assessed the level of</p>	<p>* A member has been allocated portfolio responsibility for the council's asset management. (now bold)</p> <p>* Members are aware of the level of backlog maintenance and have approved a plan to address it as appropriate.</p> <p>* The council has developed a set of local performance measures in relation to assets that evaluate asset use in relation to corporate objectives. (now bold)</p> <p>* The council makes investment and disposal decisions based on thorough option appraisal and whole life costing.</p>	<p>Performance measures and benchmarking are being used to describe and evaluate how the council's asset base contributes to the achievement of corporate and service objectives, including improvement priorities.</p> <p>The results of performance measurement and benchmarking are communicated to stakeholders where relevant.</p> <p>The council has developed an approach for the coordination of asset management information and its integration with relevant organisational financial information.</p>

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backlog maintenance.

*** The council's capital programme gives priority to potential capital projects based on a formal, objective approval process.**

3. FINANCIAL STANDING		
How well does the council safeguard its financial standing?		
Key line of enquiry		
3.1 The council manages its spending within the available resources		
Audit Focus		
Evidence that:		
<ul style="list-style-type: none"> the council is financially sound the council manages its levels of reserves and balances current spending plans match available resources 		
Criteria for Judgement		
Level 2	Level 3	Level 4
<p>* The council sets a balanced budget that takes account of cost pressures and the impact on council tax and housing rents.</p> <p>* The council maintains its overall spending within budget.</p> <p>* The council has a policy on the level and nature of reserves and balances it needs that has been approved by members and reflected in the budget and medium-term financial strategy.</p> <p>* The council monitors and maintains its levels of reserves and balances within the range determined by its agreed policy.</p> <p>* The budget reported to members includes a positive assurance statement from the chief finance officer about the adequacy of the proposed financial reserves, in accordance with the requirements of section 25 of the LG Act 2003.</p> <p>* The council has a treasury management</p>	<p>* The council consistently maintains its spending within its overall budget and without significant unexpected overspends or underspends.</p> <p>* The council's policy for reserves and balances is based on a thorough understanding of its needs and risks, and is properly and clearly reported to members.</p> <p>* Monitoring information is available that evaluates the effectiveness of debt recovery actions, associated costs, and the cost of not recovering debt promptly for material categories of income.</p>	<p>Members monitor key financial health indicators and set challenging targets, for example for income collection, levels of variances from budget, prudential framework indicators, capital programme management. The council has a good track record of achieving these targets.</p> <p>Where target levels for reserves and balances are exceeded, the council has identified and reported to members the opportunity costs of maintaining these levels and compared this to the benefits it accrues.</p>

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<p>strategy that reflects the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services.</p> <p>* The council monitors the budget and underlying assumptions throughout the year and takes appropriate action to deal with any deterioration in the financial position, in accordance with the requirements of section 28 of the LG Act 2003.</p> <p>* The council sets and monitors targets for all material categories of income collection and recovery of arrears, based on age profile of debt. (now bold)</p>		
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4. INTERNAL CONTROL		
How well does the council's internal control environment enable it to manage its significant business risks?		
Key line of enquiry		
4.1 The council manages its significant business risks		
Audit Focus		
Evidence that:		
<ul style="list-style-type: none"> the council has a risk management process in place the risk management system covers partnership working 		
Criteria for Judgement		
Level 2	Level 3	Level 4
<p>* The council has adopted a risk management strategy/policy that has been approved by members.</p> <p>* The risk management strategy/policy requires the council to:</p> <ul style="list-style-type: none"> identify corporate and operational risks assess the risks for likelihood and impact identify mitigating controls allocate responsibility for the mitigating controls. <p>* The council maintains and reviews a register of its corporate business risks linking them to strategic business objectives and assigning ownership for each risk.</p> <p>* Member responsibility for corporate risk management is identified in the terms of reference of one or more committees as appropriate.</p> <p>* Reports to support strategic policy decisions, and project initiation documents, include a risk assessment.</p>	<p>* The risk management process is reviewed and updated at least annually.</p> <p>* The risk management process specifically considers risks in relation to significant partnerships and provides for assurances to be obtained about the management of those risks.</p> <p>* All appropriate staff are given relevant training and guidance to enable them to take responsibility for managing risk within their own working environment. (now bold)</p> <p>* The members with specific responsibility for risk management have received risk management awareness training.</p> <p>* 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 actively managed, including reporting to full council as appropriate.</p>	<p>A senior officer and member jointly champion and take responsibility for embedding risk management throughout the council.</p> <p>The council can demonstrate that it has embedded risk management in its corporate business processes, including:</p> <ul style="list-style-type: none"> strategic planning financial planning policy making and review performance management. <p>All members receive risk management awareness training.</p> <p>The council considers positive risks (opportunities) as well as negative risks (threats).</p>

4. INTERNAL CONTROL How well does the council's internal control environment enable it to manage its significant business risks?		
Key line of enquiry 4.2 The council has arrangements in place to maintain a sound system of internal control		
Audit Focus Evidence that: <ul style="list-style-type: none"> the council reviews and reports on its system of internal control the council has an audit committee or equivalent and an internal audit function 		
Criteria for Judgement		
Level 2	Level 3	Level 4
<p>* An appropriate member group has responsibility for review and approval of the SIC and considers it separately from the accounts.</p> <p>* The council has conducted an annual review of the effectiveness of the system of internal control and reported on this in the SIC.</p> <p>* The sources of assurance to support the SIC have been identified and are reviewed by senior officers and members.</p> <p>* There are action plans in place to address any significant internal control issues reported in the SIC.</p> <p>* The core functions of an audit committee, as identified in the CIPFA guidance, are being undertaken by members.</p> <p>* The council has an internal audit function that operates in accordance with the CIPFA code of practice for internal audit in local government.</p>	<p>* The council has put in place an assurance framework that maps the council's strategic objectives to risks, controls and assurances.</p> <p>* The assurance framework provides members with information to support the SIC.</p> <p>* The council can demonstrate that it is effectively delivering the core functions of an audit committee, as identified in the CIPFA guidance; that it provides challenge to the Executive when required and provides for effective leadership on governance, financial reporting and audit issues. (now bold)</p> <p>* The procedure notes/manuals for key financial systems are reviewed and updated as appropriate. (now bold)</p> <p>* The standing orders, standing financial instructions and scheme of delegation are reviewed and updated as appropriate. (now bold)</p> <p>* Compliance with standing orders, standing financial instructions and the scheme of</p>	<p>The assurance framework is fully embedded in the council's business processes.</p> <p>The council can demonstrate corporate involvement in/ownership of the process for preparing the SIC.</p> <p>An audit committee has been established that is independent of the executive function, with terms of reference that are consistent with CIPFA's guidance. It provides effective challenge across the council and independent assurance on the risk management framework and associated internal control environment to members and the public, and can demonstrate the impact of its work.</p> <p>The standing orders, standing financial instructions and scheme of delegation make specific reference to partnerships.</p> <p>Governance arrangements with respect to partnerships are subject to regular review and updating.</p>

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<p>* There are procedure notes/manuals in place for key financial systems.</p> <p>* The council has a business continuity plan in place which is reviewed on a regular basis. (now bold)</p> <p>* There are standing orders, standing financial instructions and a scheme of delegation in place.</p> <p>* The council has arrangements in place to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.</p> <p>* All reports to members have been formally considered for legal issues before presentation.</p> <p>* The council has identified its significant partnerships and has appropriate governance arrangements in place for each of them. (now bold)</p> <p>* The council has arrangements in place to ensure that it has a sound system of internal financial control, for example, carrying out regular bank reconciliations and reconciliations of major feeder systems. (now bold)</p>	<p>delegation is monitored by management, and any breaches identified and appropriate action taken.</p>	
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4. INTERNAL CONTROL		
How well does the council's internal control environment enable it to manage its significant business risks?		
Key line of enquiry		
4.3 The council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business		
Audit Focus		
Evidence that:		
<ul style="list-style-type: none"> the council has adopted codes of conduct and monitors compliance the council's arrangements to prevent and detect fraud and corruption are effective 		
Criteria for Judgement		
Level 2	Level 3	Level 4
<p>* The council has formally adopted a code of conduct for members that includes the mandatory provisions of the statutory Model Code of Conduct.</p> <p>* All elected and co-opted members have signed up to the code of conduct.</p> <p>* The council has adopted a code of conduct for staff.</p> <p>* The council has put in place arrangements for monitoring compliance with standards of conduct across the council including:</p> <ul style="list-style-type: none"> register of interests register of gifts and hospitality complaints procedure. <p>* The standards committee's membership and functions are in accordance with the requirements of the Local Government Act 2000.</p> <p>* There is a counter fraud and corruption policy applying to all aspects of the council's business which has been communicated</p>	<p>* The council is proactive in raising the standards of ethical conduct among members and staff, including the provision of ethics training. (now bold)</p> <p>* The council has undertaken an assessment of standards of conduct, including how effectively members are complying with the code of conduct, the number and types of complaints received, and takes action as appropriate.</p> <p>* Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and pecuniary interests. There is evidence that members and staff are making appropriate disclosures in the registers and that they are regularly reviewed.</p> <p>* A strong counter fraud culture is supported and promoted by members and senior officers.</p> <p>* The council undertakes proactive counter fraud and corruption work which is determined by a formal risk assessment.</p>	<p>The council can demonstrate that its members and staff exhibit high standards of personal conduct.</p> <p>The council can demonstrate a strong counter fraud culture across all departments. Staff have clearly acknowledged and accepted their responsibility to prevent and detect fraud and corruption.</p> <p>The risk of fraud and corruption is specifically considered in the council's overall risk management process.</p> <p>The use of publicity in successful cases of proven fraud/corruption is routinely considered to raise awareness.</p> <p>The council has a track record for effective action in response to whistleblowing disclosures. There are periodic reviews of the effectiveness of the whistleblowing arrangements, and there are effective arrangements for receiving and acting upon disclosures from members of the public.</p> <p>The council can demonstrate that effective action has been taken to maximise the potential savings</p>

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<p>throughout the council.</p> <p>* The council has arrangements in place to receive and investigate allegations of breaches of proper standards of financial conduct, and of fraud and corruption.</p> <p>* There is a whistleblowing policy which has been communicated to staff and those parties contracting with the council.</p> <p>* The council has provided the required data for the National Fraud Initiative (NFI), has notified data subjects of this use of data, and has established a process to follow-up NFI data matches.</p>	<p>* The council can demonstrate that counter fraud and corruption work is adequately resourced. (now bold)</p> <p>* Investigations into allegations of fraud and corruption are conducted in accordance with statutory requirements, eg, Police and Criminal Evidence Act, Regulation of Investigatory Powers Act, Data Protection Act, by appropriately trained staff.</p> <p>* The whistleblowing policy is publicised within the council and demonstrates the council's commitment to providing support to whistleblowers.</p> <p>The council has effectively identified the key NFI data matches for review from all levels of reports (high, medium and low).</p> <p>The council works with other bodies such as DWP when following-up data matches from NFI. Risks are followed-up promptly to prevent prolonged exposure.</p> <p>Weaknesses revealed by instances of proven fraud and corruption, including NFI data matches, are reviewed to ensure that appropriate action is taken to strengthen internal control arrangements.</p>	<p>available through NFI.</p>
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5. VALUE FOR MONEY		
Key line of enquiry		
5.1 The council currently achieves good value for money		
Audit Focus		
Evidence that:		
<ul style="list-style-type: none"> • costs compare well with others allowing for external factors • costs are commensurate with service delivery, performance and outcomes achieved • costs reflect policy decisions 		
Criteria for judgement/descriptors		
Level 2	Level 3	Level 4
There is a positive relationship between costs and the range, level and quality of services provided, including overheads and capital costs.	The council ensures that a range of quality services is delivered appropriate to statutory duties and local needs, while maintaining relatively low overall costs including overheads and capital.	The council ensures that the range of services delivered effectively addresses statutory duties and local needs, and are delivered to high quality standards. Overall spending, including overheads and capital, consistently demonstrates best value from resources.
Overall costs and unit costs for key services are not significantly higher than other councils providing similar levels and standards of services, allowing for the local context.	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.	High performance is achieved across a range of key services while costs demonstrate best value compared to others.
Significant unintended high spending is identified and there are plans in place to address it.	Unintended high spending is identified and is being addressed.	The council can demonstrate a track record for effectively addressing areas of unintended high spending and emerging areas of budgetary pressure.
Areas of higher spending are in line with stated priorities.	Areas of higher spending are in line with stated priorities and the investment results in improved services.	There is a sustained track record of investment leading to improved outcomes for users and sustainable efficiency gains. New investment is supported by clear targets and timescales for measuring improvement.
The council has a well managed capital programme linked to priorities, with projects usually completed on time and on budget.	The council has a well managed capital programme linked to priorities, with most projects completed on time and within budget.	The council can demonstrate that it evaluates the outcomes from its capital programme in accordance with objectives. Where capital resources are invested, there are identifiable improvements in service delivery.

5 VALUE FOR MONEY		
Key line of enquiry 5.2 The council manages and improves value for money		
Audit Focus		
Evidence that:		
<ul style="list-style-type: none"> the council monitors and reviews value for money the council has improved value for money and achieved efficiency gains (limited to the last three years) procurement and other spending decisions take account of full long-term costs 		
Criteria for judgement/descriptors		
Level 2	Level 3	Level 4
<p>There is some information on costs and how these compare to others and to the quality of services but this is not fully understood. Managers use this information to review value for money and report to members.</p> <p>The information on costs and quality of services includes information on equity across the whole community.</p> <p>Members and senior managers identify and pursue opportunities to manage and reduce</p>	<p>There is clear information on costs and how these compare to others and to the quality of services achieved currently and over time. Members and managers routinely use this information to review and challenge value for money throughout services and corporately.</p> <p>The council understands the full short- and long-term costs of its actions and takes account of these when making decisions.</p> <p>Information on equity is actively used to promote access and value for money across the whole community.</p> <p>Achieving and improving value for money is being embedded in the council's culture, for example, through the performance appraisal system.</p> <p>Members, senior managers and service managers manage costs alongside quality of services and</p>	<p>The council has a track record of using high quality information and benchmarking on costs and quality to actively manage performance, improve value for money and target resources. Members and managers actively use this information to review and challenge value for money throughout services and corporately.</p> <p>The council has detailed information on the full short- and long-term costs of its actions and takes account of these when making decisions. All policy proposals have in built cost analyses.</p> <p>The council can demonstrate that there is equity in access to services across the community.</p> <p>Achieving and improving value for money is integral to the council's performance management arrangements, and this results in high levels of understanding and awareness across the organisation.</p> <p>There is a strong track record of managing costs alongside quality of services and responding to local</p>

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<p>costs or improve quality within existing costs. Consideration is given to the likely impact on users of changes in spending levels.</p>	<p>responding to local needs. The impact on users is assessed to ensure that costs are not simply cuts without regard to outcomes.</p>	<p>needs. The impact on users is assessed and then tracked to ensure that costs are not simply cuts without regard to outcomes.</p>
<p>Processes for reviewing and improving value for money are in place and have led to some improvements in value for money.</p>	<p>The scope for improving cost-effectiveness is kept under review and scrutiny. There are clear policies and effective processes for reviewing and improving value for money. Internal reviews are targeted at high cost services and have led to improved value for money.</p>	<p>Innovative approaches for improving cost-effectiveness are used where appropriate and have achieved significant improvements in value for money.</p>
<p>Targets are set and applied to improve efficiency and value for money.</p>	<p>There is clear evidence that the council sets and achieves ambitious targets to improve efficiency and value for money corporately and in services. Targets are used 'intelligently' to reflect potential for improvement.</p>	<p>The council has a sustained track record of driving improvements in services and value for money through effective use of targets.</p>
<p>The council has produced and is delivering on an efficiency plan to achieve the cumulative Efficiency Review target of 7.5 per cent gains over a three-year period.</p>	<p>The council has produced and is delivering on an efficiency plan to achieve at least the cumulative Efficiency Review target of 7.5 per cent gains over a three-year period.</p>	<p>The council has integrated efficiency review into its performance management and is exceeding its own targets for achieving at least the national cumulative Efficiency Review target of 7.5 per cent over three years.</p>
<p>The council has effective procurement practices and can demonstrate improvements in value for money from significant procurement exercises. It has explored options for joint procurement and works with the LSP and other partners to improve value.</p>	<p>The council uses best procurement practice, knows where the greatest benefits can be gained and acts on these effectively. Opportunities for joint procurement with partners are actively pursued and the council works with the LSP and other partners to improve value for money.</p>	<p>The council has successfully used joint procurement to improve value for money and service standards across a range of key services.</p>
<p>Procurement decisions are not based solely on lowest cost options but reflect the best combination of cost and quality.</p>	<p>Procurement decisions seek to achieve the greatest benefit to the wider community, for example securing economic, social or environmental benefits.</p>	<p>Significant community benefits, eg, economic, social or environmental, have been delivered through joint analysis of local needs, planning and procurement with key partners.</p>
<p>Internal reviews are carried out (in line with Best Value legislation) and achieve significant</p>	<p>Significant and identifiable savings have been achieved through procurement and internal</p>	<p>Systematic reviews have covered all major functions and the findings are acted upon, leading to significant</p>

Use of resources

<p>improvements in value.</p> <p>Investment is made in underperforming-services to secure future improvements in value for money.</p> <p>External funding is sought where appropriate to support local priorities.</p>	<p>reviews without unintended loss of quality (or quality increased at no extra cost).</p> <p>Investment is targeted at improving value for money in the longer term. Past investment has resulted in demonstrable improvements in value for money.</p> <p>There is a strategic approach to seeking external funding. The council has a successful track record of securing external funding and using it to deliver required outcomes and increased value for local people.</p>	<p>improvements in services and value for money.</p> <p>Significant areas of previous underperformance have been addressed and, where there has been investment, sustained improvements in value for money have been delivered.</p> <p>External funding has been successfully used to address local priorities resulting in sustained improvements and greater long-term value for money.</p>
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Summary of modifications for 2007

The status of specified criteria has been changed for the 2007 assessment as consulted on in February 2006.

The changes are summarised below and annotated against the criteria as 'now bold'.

KLOE	Summary of criteria
Financial reporting	
1.1	Requests for information from audit are dealt with promptly.
1.2	Summary financial information that meets the needs of a range of stakeholders is published.
Financial management	
2.1	There are arrangements for monitoring cash flow.
2.1	The medium-term financial strategy is communicated to staff and stakeholders.
2.2	Profiled financial monitoring reports are produced within ten days of the month end.
2.2	The financial performance of significant partnerships is reviewed.
2.2	There is a training programme in place for members and staff on financial issues.
2.3	A member has been allocated portfolio responsibility for asset management and local performance measures in relation to assets have been developed.
Financial standing	
3.1	Collection and recovery of material categories of income is monitored.
Internal control	
4.1	Appropriate staff are trained in risk management.

Use of resources

KLOE	Summary of criteria
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 (new).
4.2	Standing orders, standing financial instructions and system procedure notes are reviewed and updated as appropriate.
4.2	Criterion at level two in relation to business continuity plans as required by the Civil Contingencies Act (2004) (new).
4.2	Governance arrangements are in place for significant partnerships.
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.