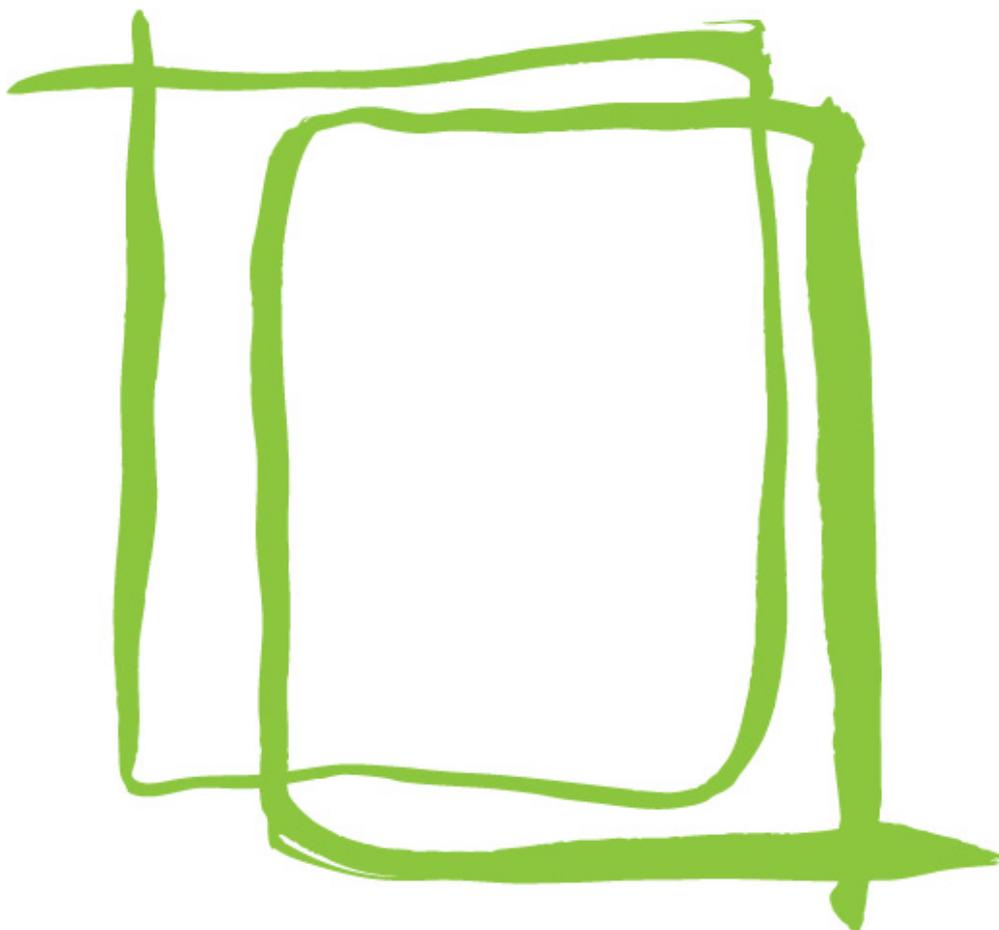


# Use of Resources

Gateshead Metropolitan Borough Council

Audit 2007/08

February 2009



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# Introduction

- 1 The Use of Resources assessment evaluates how well councils manage and use their resources. This is the fourth assessment carried out at 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 for Use of Resources focuses on the importance of having strategic financial management, sound governance and effective financial reporting arrangements. These should support the 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.

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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

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- 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 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.
  - 5 The five theme scores for Gateshead Council are outlined in Table 2. This summary 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**

Key lines of enquiry (KLOEs)	Score 2008	Score 2007
<b>Financial reporting</b>	<b>4</b>	<b>2</b>
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	4	2
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>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

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

**Table 3 Financial reporting**

<b>Theme score = 4</b>
<b>Key findings and conclusions</b>
<p><b>1.1 Council produces annual accounts in accordance with relevant standards and timetables</b></p> <p>The Council's 2007/08 financial statements were comprehensive and of a high standard and were well supported by working papers. Working papers were provided promptly and were of a high standard. We found that there were considerable improvements in working papers and the responsiveness to audit queries, issues that had been raised previously and that we had jointly sought to address through an Opinion Protocol. We found officers helpful and responsive to the queries we raised, and we appreciate the assistance that was provided in enabling us to undertake our audit work effectively. In particular, we feel that the Sharepoint Site which was developed to help manage queries arising from the audit operated very well and contributed to improved arrangements and better management information for senior officers. The consequence of these improvements was that there were fewer issues arising from the audit than in previous years.</p> <p><b>1.2 Council promotes external accountability</b></p> <p>The Council promotes external accountability by seeking to make key information available to the public through its publications and the increasingly important medium of the Council's website. The website does make available a number of key documents, including agendas and minutes, the published financial statements, the annual audit and inspection letter and other key publications, as well as a range of information on Council services. A key feature of the Council's Communications Strategy is its investment in the bi-monthly publication of Council News, where research has proven this to be a very effective means of reaching residents. Council News in itself seeks to make the more detailed reports and work of the Council more accessible to the wider public by highlighting key issues relating to the Council, its partners and the wider community. Work in relation to the development of the Council's Equalities Strategy has helped establish the best means of making information accessible in a number of different formats.</p>

**Theme score = 4**

The Council's Equality Strategy, effective from September 2006 to March 2010, sets out how the Council will tackle discrimination, promote equality of opportunity for all and help contribute towards good relations between the diverse communities and groups that make up Gateshead. The Strategy was developed with the assistance of a Council-wide two phased Equality Impact Assessment process which ensured that policies and services supported the Council's vision for Gateshead and did not inadvertently discriminate against any minority group.

As part of our review we identified a need to keep certain aspects of the website, for example, the agendas and minutes, more up-to-date. In particular, the Council should aim to put agendas online prior to meetings taking place. Although we recognise the work the Council has undertaken in relation to accessibility, the website could be further improved by providing a summary of the work the Council has undertaken on accessibility, the methods that users could use where there are accessibility issues and the commitment to make information as accessible as possible. One specific issue would be to address the stated intention in the Equalities Strategy to provide some key welcome and introductory information in a range of relevant languages and to provide key contact details of who to contact if users require a particular publication to be translated.

The Council needs to fully evaluate and report on its environmental footprint, including how it will integrate the principles of responsible environmental management and sustainable development into strategic planning and day to day activities.

The Council has produced an Annual Report including summary financial information and this was published in October 2008. The Council also publishes summary accounts, and efforts have been made to improve the format of these from this year. However, the timing of the publication of the summary accounts should be reconsidered and possibly brought forward.

**KLOE 1.1** The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.

None.

## Theme summaries

Theme score = 4	
<b>KLOE 1.2</b> The Council promotes external accountability.	<p>Keep aspects of the website, for example, the agendas and minutes, more up-to-date. In particular, the Council should aim to put agendas online prior to meetings taking place.</p> <p>The website should provide a summary of the work the Council has undertaken on accessibility, the methods that users could use where there are accessibility issues and the commitment to make information as accessible as possible.</p> <p>Provide some key welcome and introductory information in a range of relevant languages and provide key contact details of who to contact if users require a particular publication to be translated, in accordance with the stated intention of the Equalities Strategy.</p>
	<p>The Council needs to fully evaluate and report on its environmental footprint, including how it will integrate the principles of responsible environmental management and sustainable development into strategic planning and day to day activities.</p> <p>In future, the Council should consider publishing its Summary Accounts to an earlier timetable.</p>

**Table 4 Financial management**

<b>Theme score = 3</b>	
<b>Key findings and conclusions</b>	
<p><b>2.1 Council's MTFS, budgets and capital programme are soundly based</b></p> <p>The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.</p> <p>The Council can improve its MTFS and other plans by expanding them to refer to joint plans with partners and other stakeholders and to show more clearly how financial plans contribute to the achievement of its corporate objectives. Officers explained that the MTFS focuses on the Council's finances, but that a MTFS for the Gateshead Strategic Partnership is being considered and this would address the issue we have raised. In addition, financial plans could model balances, resource requirements, and revenue items using different planning scenarios (for example best and worst case and most likely) and link this to its risk management and financial reports.</p>	
<p><b>2.2 Council manages performance against budget</b></p> <p>The Council has effective arrangements in place for budget monitoring and control. Further improvement could be made by extending financial monitoring reports to include key balance sheet items.</p>	
<p><b>2.3 Council manages its asset base</b></p> <p>The Council manages its asset base. It has a capital strategy, asset management plan and a range of measures to ensure that the capital programme is targeted at key corporate priorities. The Council also has a range of information relating to its existing assets and is seeking to rationalise and improve the information it holds and thereby facilitate the process of making decisions that lead to a better overall use of those assets. Asset management is subject to a more detailed audit review and we will be reporting more fully on this area before the end of the calendar year.</p>	
<p><b>KLOE 2.1</b> 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 can improve its MTFS and other plans by expanding them to refer to joint plans with partners and other stakeholders and to show more clearly how financial plans contribute to the achievement of its corporate objectives. We note that a MTFS for the Gateshead Strategic Partnership is being considered.</p> <p>Financial plans should model balances, resource requirements, and revenue items using different planning scenarios (for example best and worst case and most likely) and link this to its risk management and financial reports.</p>
<p><b>KLOE 2.2</b> The Council manages performance against budgets.</p>	<p>Extend financial monitoring reports to include key balance sheet items.</p>

## Theme summaries

<b>Theme score = 3</b>	
<b>KLOE 2.3</b> The Council manages its asset base.	The Council should see through its plans to rationalise and improve the asset management information it holds and thereby facilitate the process of making decisions that lead to a better overall use of those assets.

## Table 5 Financial Standing

<b>Theme score = 3</b>
<b>Key findings and conclusions</b>
<p><b>3.1 Council manages its spending within available resources</b></p> <p>The annual budget and medium term financial strategy are comprehensive. The 2007/08 revenue budget planned to draw on £2.5 million of general reserves, but a revenue budget underspend and other factors led to a modest increase in the general reserve of £0.6 million to £11.4 million. The Council also has significant levels of other reserves and balances, including £70.5 million earmarked reserves, £12.7 million schools balances and £11.3 million of capital receipts. Together this contributes to a very healthy overall financial position for the Council, and gives scope for the Council to manage the financial challenges that it faces in the short to medium term. Further improvement is sought by seeking efficiencies and re-directing resources to key corporate priorities.</p> <p>The financial position is closely monitored and clearly understood by officers. Although there is comprehensive reporting of the financial position to members, there is scope to refine this further. The annual budget and medium term financial strategy should identify and report the opportunity costs of maintaining reserve levels compared to the benefits this accrues, and make clear to members the range of options available to them. Quarterly financial reporting is focused on budget monitoring, with some key financial targets such as income collection picked up in separate performance reporting. There is scope to extend the quarterly financial monitoring to include a much wider range of key financial information, for example, income collection, arrears levels, write offs, benefits performance, so that members are provided with a complete overview of the financial position.</p> <p>We note that the banking crisis has impacted on the Council, with investments of £4.5 million at risk. This exposure does not provide any immediate threat and is a small proportion of the Council's investments. The recent banking crisis is unprecedented, and we have not identified any weaknesses in treasury management arrangements. However, there is a need for the Council to consider the impact of this event in relation to the arrangements for future investments, spending plans and the level of reserves and balances.</p>

Theme score = 3	
<p><b>KLOE 3.1</b> The Council manages its spending within the available resources.</p>	<p>The annual budget and medium term financial strategy should identify and report the opportunity costs of maintaining reserve levels compared to the benefits this accrues, and make clear to members the range of options available to them.</p> <p>Extend the quarterly financial monitoring to include a much wider range of key financial information, for example, income collection, arrears levels, write offs, benefits performance, so that members are provided with a complete overview of the financial position.</p> <p>Consider the impact of the recent events in the banking sector in relation to the arrangements for future investments, spending plans and the level of reserves and balances.</p>

**Table 6 Internal control**

<b>Theme score = 3</b>	
<b>Key findings and conclusions</b>	
<p><b>4.1 Council manages its significant business risks</b></p> <p>The Council has continued to develop its risk management arrangements, and now has well embedded and established processes in place. Work has been undertaken to revise and improve the strategic risk register, but consultation and engagement is taking place before this is formally agreed and then monitored quarterly by the Audit Committee. The Council also needs to fully develop the consideration of sustainability in its strategic and major project initiation documents.</p>	
<p><b>4.2 Council has arrangements in place to maintain a sound system of internal control</b></p> <p>The Council has very effective arrangements in place to maintain a sound system of internal control. The arrangements are subject to review through the processes underpinning the Annual Governance Statement. Work has been undertaken to ensure that there are appropriate governance arrangements in place for partnerships, including a risk assessment of all significant partnerships. During 2008/09, officers plan to complete the risk assessment for all other partnerships the Council is involved in. Further work is also needed to obtain the fullest possible assurance on a risk basis of the viability of its significant contractors'/partners business continuity plans.</p>	
<p><b>4.3 Arrangements to promote and ensure probity and propriety in the conduct of its business</b></p> <p>The Council has strong arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business. Internal Audit are now carrying out an annual review of the effectiveness of these arrangements, including the level of identified fraud. Internal Audit concluded that good arrangements were in place, but have identified some areas for improvement, including making sure that there is a continuing awareness among staff, members and the public of the Council's arrangements. We will be undertaking a corporate governance survey of staff and members to identify how well embedded the Council's arrangements are. It is also important to ensure that staff within contracting organisations are also aware of the Council's arrangements.</p>	
<p><b>KLOE 4.1</b> The Council manages its significant business risks.</p>	<p>Formally agree the updated strategic risk register and implement quarterly monitoring by the Audit Committee. Further develop the consideration of sustainability in strategic and project initiation documents.</p>
<p><b>KLOE 4.2</b> The Council has arrangements in place to maintain a sound system of internal control.</p>	<p>Complete the risk assessment for all partnerships. Obtain the fullest possible assurance on a risk basis of the viability of its significant contractors'/partners business continuity plans.</p>

<b>Theme score = 3</b>	
<b>KLOE 4.3</b> The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	<p>Implement the action plan arising from Internal Audit's review of arrangements to prevent and detect fraud and corruption.</p> <p>Ensure a continuing awareness of anti-fraud arrangements amongst staff, members and the public, and ensure this is extended to staff within contracting organisations.</p>

**Table 7 Value for money**

<b>Theme score = 3</b>
<b>Key findings and conclusions</b>
<p><b>5.1 Council currently achieves good VfM</b></p> <p>The Council currently delivers good value for money. Council tax levels are high in terms of band D council tax (15 per cent above the average for comparable councils), but council tax bills per dwelling are 12 per cent below the national average.</p> <p>While spend in some services is high, so are most outcomes. For example, the library service has the third highest spend per head of population, compared with other metropolitan councils, and the second highest level of library visits. Waste collection spend and volumes are both relatively low. Economic development activities have demonstrated below average costs per job created in the International Business Centre while over 500 residents have been assisted to move from benefits to employment, yielding Exchequer savings of over £2 million. In addition, the speed of benefits processing is improving and the Council's costs are amongst the lowest in the country.</p> <p>Budget decisions reflect council priorities well. The budget for 2008/09 provides investment in priority service areas of £7.5 million, particularly on environmental sustainability, regeneration of Gateshead Town Centre, waste disposal and recycling, children and families' services and young people with disabilities.</p> <p>The Council is diverting resources into domiciliary care from residential and nursing care to support its policy of maximising the opportunities for individuals to remain in their home, promoting their independence, choice and control. This policy has been reflected in the establishment of four Promoting Independence Centres, providing short term residential provision for post hospital discharge, short-term respite and step down care.</p> <p>The Council has invested in additional environmental education and enforcement campaigns. This includes the 'its your Gateshead' campaign, launched in June 2007 with many council services working in partnership to combat littering, graffiti and fly tipping. The Council have achieved improvements in street cleaning by using the LAA pump priming grant to put extra resources into high priority areas, and by reviewing working practices, using multi skilled teams and new technology to improve effectiveness and efficiency. This has resulted in higher standards across the Borough.</p>

### Theme score = 3

#### 5.2 Council manages and improves VfM

The Council manages and improves value for money well. The Council has good arrangements for monitoring and reviewing value for money, setting and monitoring of departmental and cross cutting efficiencies and targets through cabinet, overview and scrutiny and top management. Internal audit have introduced a systematic examination of value for money in all audits.

There are value for money champions in all services at below Head of Service level. IPF are being engaged to provide training and development activities related to value for money. A VFM/Efficiency Strategy and three year plan is under development.

Effective action has been taken on two areas of underperformance referred to last year. In response to high waste disposal costs a partnership has been set up with Sunderland and South Tyneside for new arrangements from 2011/12. An outline business case for PFI credits was prepared for a project for energy from waste, costing around £160 million. PFI credits of £73.5 million have now been secured for this initiative. Planning performance had dipped and costs were high. Ninety per cent of applications are now completed within target times and costs have reduced. In the third area highlighted, sickness absence has been monitored closely by the Corporate Vitality Scrutiny Committee. A new occupational health doctor has been appointed jointly with Sunderland, supported by nursing and physiotherapy staff. There are now much shorter waiting times. A number of positive initiatives have been taken to promote staff health and well-being. Sickness absence has reduced slightly but not to target levels and is still relatively high. The Commission has examined this issue in more detail and will report separately on it.

The Council has performed well against the Government efficiency target, securing £25 million over the past three years compared with the £15.5 million Government target. Progress is being made in securing better asset management but there are still significant challenges to bring about improvements. Some council buildings have been vacated and released for disposal and the Council has embarked on a four year programme to make better use of the Civic Centre. In the first phase the target to accommodate 20 per cent more people in the same space has been exceeded. A review has been undertaken of Council owned community buildings throughout the borough, but this has not covered those in other ownerships on a comprehensive basis and progress on implementation is slow. The Commission is examining this issue in more detail and will report separately on it.

Benchmarking of ICT costs has shown Gateshead's performance to be very positive in a number of aspects, for example costs of support and service availability. Use of ICT is improving value for money in a number of areas, for example an electronic data management system has improved efficiency in a number of services and is to be adopted more widely. 1,377 people are now supported at home using assistive technology. Use of ICT for planning transport routes, procured jointly with South Tyneside, has contributed to savings.

**Theme score = 3**

There has been a major improvement in value for money of transport operations. Joint procurement of vehicles with North and South Tyneside together with sharing of specialist vehicles has driven down costs. There has been a comprehensive review of transport usage throughout the Council. Tendering has led to better prices from taxi firms and there has been a rethinking of the need for escorts – a sensitive issue and one not previously reviewed regularly enough to ensure the original rationale still applied.

Within children and families services the number of looked after children in residential care has been reduced by 14 per cent, out of borough placements by 25 per cent and independent fostering by 56 per cent. These have all saved money as well as improving service quality in many cases.

Over the past two years provision of domiciliary care has shifted from around 70:30 in-house provision: external to 30:70, with a switch of in-house provision to special needs such as mild dementia and early onset Alzheimer's, where staff require higher levels of skills and training. This enables money to be saved and more sensitive provision to be made for those with more challenging needs.

The Council adopted a rigorous approach to the introduction of a £5 charge for bulky waste, by accompanying it with tighter enforcement; in consequence there has been a reduction rather than an increase in fly tipping, in spite of a reduction in the number of requests for bulky waste collections, and an increase in the use of bring sites. This has therefore increased income and reduced costs with no detrimental environmental impact.

The Council has been successful in securing external resources to support its priorities. Bridging NewcastleGateshead was awarded £63 million for 2007/08 to tackle issues of low housing demand in the urban core of the area and a further £95 million for 2008/09 to 2010/11. £2.7 million was secured to supplement £1.5 million mainline budget to deliver a wide range of economic development activities. During 2007/08, the Council agreed to establish a City Development Company in partnership with Newcastle City Council and One NorthEast to achieve accelerated economic growth. Initial funding totalling £4.5 million up to 2009/10 has been agreed with each partner providing a third of this sum.

Sustainability has become more embedded in procurement. The Council only purchases 'green' energy; solar panels have been incorporated in street lighting when replaced; energy efficient lighting has been installed throughout the Civic Centre; building schools for the future specifications include energy efficiency of buildings and use of recycled material; and one school includes a wind turbine.

In spite of a number of good examples of procurement, an Overview and Scrutiny review found that good practice was not being implemented consistently enough across the Council; this is now being addressed.

## Theme summaries

Theme score = 3	
<b>KLOE 5.1</b> The Council currently achieves good value for money.	See below.
<b>KLOE 5.2</b> The Council manages and improves value for money.	<p>There are a range of initiatives to improve value for money, on very differing scales and with different time horizons. With so many initiatives and a range of monitoring mechanisms, it is difficult to see how well the Council is doing against its own plans and capabilities.</p> <p>Clearly, some areas are progressing well, but in other areas more is needed, for example, in bringing down sickness levels, making better use of assets, and in implementing effective procurement practices consistently across the Council.</p> <p>Value for money initiatives need to be monitored within an overall framework so that the Council can tell more clearly whether it is on track and achieving improvements at the rates intended.</p> <p>The Council does plan to develop a three year VFM/efficiency strategy, and it is important that this sets clear milestones against which progress can be monitored.</p>

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# Conclusion

- 7** The Council's performance demonstrates further consolidation and improvement, resulting in an assessment that the Council consistently achieves above the minimum requirements across all areas of the assessment and has performed well above those requirements in relation to the annual accounts.

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## Use of resources 2008/09

- 8** 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).
- 9** 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.
- 10** The assessment is structured into the following three themes.
- Managing finances: sound and strategic financial management.
  - Governing the business: strategic commissioning and good governance.
  - Managing resources: effective management of natural resources, assets and people.
- 11** 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 Gateshead Council, this means that we will assess natural resources and strategic asset management, but not work force planning, in the first year of the assessment.
- 12** 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.

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