COMMITTEE: **AUDIT AND GOVERNANCE**

DATE: **11 DECEMBER 2007**

SUBJECT: **USE OF RESOURCES ASSESSMENT**

REPORT BY: **HEAD OF CORPORATE FINANCE**

CONTACT OFFICER: **DAVE KEMPSON   546087**

IMPLICATIONS:

LEGAL   COMMUNITY SAFETY

EQUALITIES   ENVIRONMENT

FINANCIAL   ✓   CONSULTATIONS

STAFFING   OTHER

WARDS AFFECTED: NONE

PURPOSE

1.   To present the report of the Council's External Auditors, Grant Thornton, on the use of resources assessment for Luton Borough Council for 2007, and to enable the external auditor to address the Committee on the key issues arising.

RECOMMENDATION(S)

2.   **Audit and Governance Committee is recommended to note the external auditor's report and approve the proposed action plan included within it.**

BACKGROUND

3.　Each year the external auditors evaluate how well Councils manage and use their resources. This is a key part of the external review and challenge necessary to ensure good governance in authorities.

4.　The criteria for making the evaluation are reviewed and updated each year. This is in line with the Audit Commission's aim of improving the financial management of authorities on an ongoing basis, and is an important part of the continuous improvement culture.

REPORT

5.　The full report of the external auditors, including the action plan agreed with officers, is attached as Appendix A.

6.　It is very pleasing to note the improvement in the 2007 score. The table below sets out the auditor's scores for last year and this:

Auditor scored judgement	2006	2007
Financial reporting	3	3
Financial management	2	3
Financial standing	2	3
Internal control	2	3
Value for money	2	2
Overall score	**2**	**3**

7.　2 is defined as 'adequate' performance, and a 3 is 'performing well' – see Appendix A.

8.　The qualification in the auditor's report should be noted, that 'these scores are subject to confirmation by the national quality control process.' The Audit Commission will release the overall judgement to the Council on 10 December, so an update will be given to the Committee at the meeting.

9.　This improvement is in line with the specific task shown in the addendum to the Corporate Plan, to improve the Use of Resources score from 2 to 3. It is also fundamentally important to achieving the corporate priority of being a financially sound and efficient Council.

10.　With regard to this, a meeting will shortly be held with the external auditor to clarify the type of evidence that will be required to ensure that we maintain a score of 3 for 2008, and improve the value for money score. It should be noted that a number of criteria for 2008 are significantly different, and hence maintaining the score will in fact require continuous

improvement. We will also be reviewing the draft criteria for the 2009 judgment, that have just been released, to determine whether we can aim to achieve a score of 4 in future years, and to evaluate whether investment will be required in order to do so. If investment is likely to be required, it will need to be assessed against other priorities.

11. The importance of the corporate priority of being a financially sound and efficient Council is to enable the achievement of the Council's other priorities, and not to focus resources on the finance area. External benchmarking (via the CIPFA benchmarking service) shows that we are well below average in terms of cost of accounting services, and the Council may wish to continue to prioritise front-line services rather than the back office.

PROPOSAL/OPTION

12. The Committee could note the report, and the agreed action plan, or could amend the action plan and ask for additional tasks to be included.

FINANCIAL IMPLICATIONS

13. The attached report assesses the Council's overall financial reporting, management, and standing against national criteria set by the Audit Commission.

APPENDIX

14. Appendix A – Use of Resources – Luton Borough Council. A report by Grant Thornton LLP.

LIST OF BACKGROUND PAPERS
LOCAL GOVERNMENT ACT 1972, SECTION 100D

There are no background papers relating to this report.