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

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

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.
The use of resources assessment evaluates how well councils manage and use their resources. These 2008 results are the fourth and the last for district councils under the comprehensive performance assessment framework. Use of resources will continue under comprehensive area assessment (CAA), but with substantial revisions. For example, the assessment has been broadened to cover natural resources and workforce. More emphasis is being given to assessing outcomes for local people and value for money achievements that will make the assessment more challenging. The overall judgment about the achievement of value for money in the use of resources will combine with a scored theme for performance of services, to give an overall organisational assessment.

Use of resources focuses on the importance of having strategic financial management, sound governance, effective financial reporting and providing value for money to local taxpayers. This report sets out the high-level findings from the use of resources assessment at district councils in 2008.

District councils have continued to demonstrate improvement in their overall use of resources scores between 2005 and 2008. Seventeen per cent of district councils that could improve their score (in other words not already scoring a top score of 4 in 2007) achieved a higher score in 2008 than in 2007, building on the 10 per cent that improved between 2006 and 2007 and the 28 per cent between 2005 and 2006. However, of the 225 district councils that could have improved their score from 2007 (those councils not scoring 4 in 2007) 169 kept the same score, neither improving nor deteriorating between 2007 and 2008.

Sixty-eight per cent of district councils (162 out of 238) performed consistently or well above minimum requirements (scoring 3 or 4), compared to 60 per cent in 2007 (Figure 1). However, the number of top-performing councils, scoring 4 overall, remained the same at 13 (out of 238 district councils) as in 2007, representing 5 per cent of all district councils. Of those 13, 12 were also in the top category in 2007. The only addition was Maidstone, which replaced Tendring (3 in 2008) in the top-performing elite. The 13 councils achieving the top rating for use of resources in 2008 were Cambridge, Chichester, Chorley, Elmbridge, Maidstone, Pendle, Runnymede, Sevenoaks, South Ribble, Staffordshire Moorlands, Tonbridge and Malling, Vale Royal and Wychavon.

The number of district councils not meeting minimum requirements (scoring 1) for use of resources overall has fallen slightly from nine councils in 2007 to eight in 2008. The district councils not achieving minimum requirements for their use of resources were Copeland, Craven, Dacorum, Forest of Dean, South Oxfordshire, Uttlesford, Waveney and West Somerset.
While there were no district councils that achieved top scores for all themes there were strong performers overall including Sevenoaks, Staffordshire Moorlands, Chichester, Runnymede, Vale Royal and Wychavon. West Somerset had the worst scores of any district council scoring below minimum requirements (scoring 1) for all five use of resources themes in 2008.

**Figure 1**
Overall use of resources scores (number of councils)

- **1** Below minimum requirements - inadequate performance
- **2** At only minimum requirements - performing adequately
- **3** Consistently above minimum requirements - performing well
- **4** Well above minimum requirements - performing strongly

<table>
<thead>
<tr>
<th>Year</th>
<th>Below Minimum</th>
<th>Consistently Above</th>
<th>Well Above</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>(17)</td>
<td>(134)</td>
<td>(5)</td>
<td>(156)</td>
</tr>
<tr>
<td>2006</td>
<td>(6)</td>
<td>(93)</td>
<td>(7)</td>
<td>(106)</td>
</tr>
<tr>
<td>2007</td>
<td>(9)</td>
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</tr>
<tr>
<td>2008</td>
<td>(8)</td>
<td>(68)</td>
<td>(13)</td>
<td>(131)</td>
</tr>
</tbody>
</table>

*Source: Audit Commission*
There was an overall improvement in council scores for all themes covered by the assessment with the exception of financial reporting. There was also a reduction in the number of councils not meeting minimum requirements in relation to four of the five themes. For the financial standing theme, nine councils did not meet minimum requirements in 2007 and 2008.

### Figure 2
Use of resources theme scores for 2008 (number of councils)

- **4** Well above minimum requirements - performing strongly
- **3** Consistently above minimum requirements - performing well
- **2** At only minimum requirements - performing adequately
- **1** Below minimum requirements - inadequate performance

![Bar chart showing use of resources theme scores for 2008](chart.png)

Source: Audit Commission
Financial reporting scores are mixed (Figure 3). Financial reporting continues to be the use of resources theme that contains the greatest number of councils performing at the highest level (scoring 4) with 7 per cent of councils in the top category. At the other end of the scale, 15 per cent of councils did not meet minimum requirements and this is more than for any other theme. In total, 43 per cent of councils performed in the lowest two categories (at or below minimum requirements) for financial reporting.
While 50 councils improved their financial reporting score since 2007, 58 councils had a lower score in 2008 than in 2007. This indicates that improvements in financial reporting are proving challenging for district councils and are not always sustained as new mandatory reporting requirements are introduced. However, six councils improved their score by two levels. These were Alnwick, Fylde, Maldon, North Norfolk, Rochford and Rother. Six councils also had a score two levels lower in 2008 than in 2007. These were Ribble Valley, Sedgemoor, Tendring, Warwick, Wear Valley and West Oxfordshire. Just over half (59 per cent) of district councils that were not already scoring 4 for financial reporting, achieved the same score in 2007 and 2008.

Financial management

District councils have substantially improved their financial management since use of resources was introduced in 2005. In 2008, councils generally performed well for financial management, which encompasses medium-term financial planning and asset management, with 68 per cent of councils exceeding minimum requirements (scoring 3 or 4), an increase of 8 percentage points since 2007 (Figure 4). This is despite a strengthening of the methodology in relation to asset management to place greater emphasis on councils having a strategic approach to using their assets to help them deliver their priorities and improved outcomes for local people. The number of top performers achieving a score of 4 also improved from six district councils (3 per cent) in 2007 to ten councils (4 per cent) in 2008. Those district councils scoring 4 for financial management in 2008 were Cambridge, Canterbury, Chichester, Pendle, Runnymede, Sedgefield, Sevenoaks, Staffordshire Moorlands, Tonbridge and Malling and Wychavon. Forty-six district councils improved their score for financial management in 2008 while 19 councils received a lower score. Nine district councils (4 per cent) performed below minimum requirements for financial management, a reduction of three councils since 2007.
District councils continued to perform well in their financial standing, which assesses how well a council manages its spending within available resources. Seventy-one per cent of councils performed consistently or well above minimum requirements, an increase of 5 percentage points since 2007 (Figure 5).

Financial standing remains the strongest performing use of resources theme for district councils.

The financial standing theme also covers councils’ treasury management arrangements. In considering how, if at all, their assessments of this theme might be affected by the collapse of the Icelandic banks in the autumn of 2008,
auditors had regard to further guidance issued by the Commission.

Twelve councils (5 per cent) performed strongly scoring 4 in 2008, a net reduction of two from 14 councils in 2007. Thirty-three councils improved their score for financial standing since 2007, while 19 achieved a lower score in 2008 than in 2007. Nine councils (4 per cent) performed below minimum requirements for financial standing, the same number as in 2007. In 2008, the councils scoring 1 for financial standing were Craven, Dacorum, Daventry, Forest of Dean, Fylde, Restormel, Uttlesford, Waveney and West Somerset.

Figure 5
Financial standing (number of councils)

- 4 Well above minimum requirements - performing strongly
- 3 Consistently above minimum requirements - performing well
- 2 At only minimum requirements - performing adequately
- 1 Below minimum requirements - inadequate performance

Source: Audit Commission
Internal control

The internal control theme, which assesses whether a council has effective arrangements to ensure proper use of public funds and manage its risks, showed the most improvement between 2007 and 2008 of any of the use of resources themes. Fifty-three district councils improved their score for internal control while only 13 councils had a lower score. Sixty-five per cent of district councils exceeded minimum requirements for internal control; an increase of 16 percentage points (Figure 6). Six councils (3 per cent) performed below minimum requirements compared to eight in 2007, six in 2006 and 33 councils in 2005. In 2008, the...
councils performing below minimum requirements for internal control were Copeland, Forest of Dean, Mendip, Mid Devon, South Oxfordshire and West Somerset. Internal control had the fewest top performers of any use of resources theme in 2008. Six councils (Chichester, Chorley, Fareham, Sevenoaks, South Ribble and Vale Royal) achieved a score of 4 for internal control in 2008.

Value for money

The value for money theme focuses on whether councils currently achieve value for money and how they are managing and improving their arrangements. It assesses the extent to which councils are achieving efficiencies and improving services through, for example, the use of innovation and collaborative working with other partners. Fifty-nine per cent of district councils exceeded minimum requirements (scoring 3 or 4) for value for money (Figure 7) in 2008 compared to 51 per cent in 2007. The scores demonstrate continued improvement in value for money among district councils. Twelve district councils achieved top performance (scoring 4) for value for money in 2008 and demonstrated notable practice. Fewer councils performed below minimum requirements for value for money in 2008 than for any other use of resources theme. The two councils scoring 1 for value for money in 2008 were Berwick upon Tweed and West Somerset. The value for money theme also demonstrated the second highest level of net improvement (after internal control) between 2007 and 2008. Thirty-three district councils improved their value for money score, while only five councils achieved a lower score in 2007 than in 2008.
A spreadsheet containing the full results of the 2008 district councils’ use of resources assessments is available on our website www.audit-commission.gov.uk.