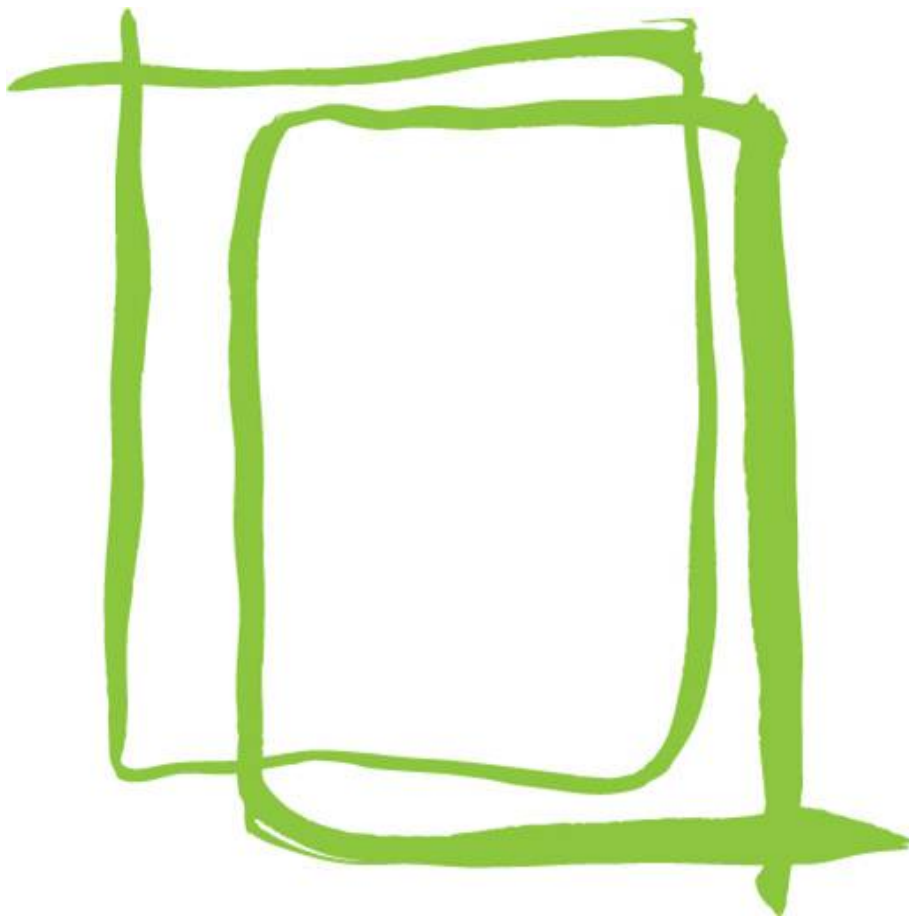


# Use of Resources

Wirral Metropolitan Borough Council

Audit 2007-2008

January 2009



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  - any third party.
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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 Use of Resources assessment focuses on the importance of having strategic financial management, sound governance and effective financial reporting arrangements. These should support your 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 Wirral Borough Council are outlined overleaf.
  - 6 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**

<b>Key lines of enquiry (KLOEs)</b>	<b>Score 2008</b>	<b>Score 2007</b>
<b>Financial reporting</b>	<b>2</b>	<b>2</b>
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	2	2
1.2 The Council promotes external accountability.	3	3
<b>Financial management</b>	<b>3</b>	<b>2</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	2
2.2 The Council manages performance against budgets.	3	2
2.3 The Council manages its asset base.	2	2
<b>Financial standing</b>	<b>3</b>	<b>2</b>
3.1 The Council manages its spending within the available resources.	3	2
<b>Internal control</b>	<b>3</b>	<b>3</b>
4.1 The Council manages its significant business risks.	3	2
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.	2	3
<b>Value for money</b>	<b>2</b>	<b>2</b>
5.1 The Council currently achieves good value for money.	2	2
5.2 The Council manages and improves value for money.	2	2

# Theme summaries

- 7 The key findings and conclusions for each of the five themes are summarised in the following tables. More detailed feedback has been provided to officers.

## Financial reporting

<b>Theme score 2</b>	
<b>Key findings and conclusions:</b>	
The Council's financial accounting and reporting arrangements are satisfactory.	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	<p>The Council produces annual accounts generally in accordance with relevant standards. The financial statements submitted for audit were complete although they contained some errors. However, the adjustments had no overall impact on revenue resources. We issued an unqualified opinion on the financial statements.</p> <p>The arrangements for production of the financial statements were good. The draft financial statements were produced by the target date and the working papers to support the financial statements were good. The Council has also introduced new and complex accounting and reporting requirements successfully whilst also improving on issues raised last year. We made recommendations for some further improvement in quality assurance processes and internal control across the Council. There is scope for further training for members and more prompt reporting to ensure that the statements are subject to robust scrutiny prior to approval.</p> <p>Score level 2.</p>
KLOE 1.2 The Council promotes external accountability.	<p>The Council promotes external accountability well. The accounts and local electors' rights to view them and contact the external auditor were published in line with requirements. The Statement of Accounts, Annual Audit and Inspection Letter as well as the Council's own reports, minutes and agenda are available to the public on the internet and through libraries and one stop shops on a timely basis and are available in accessible formats on request. A leaflet summarising the accounts has been produced and distributed and an Annual Report is planned.</p> <p>Score level 3.</p>

## Financial management

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
The Council plans and manages its finances well.	
KLOE 2.1 The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.	The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities. The MTFS was updated in September 2007 and subsequently Cabinet agreed the vision for Wirral and the new Corporate Plan, supported by departmental service plans. This has been the framework for setting a balanced budget and capital programme. The latest update to the MTFS was approved by Cabinet in July 2008, along with and linked to other internal strategies, such as the risk management, human resources and IT strategies. Score level 3.
KLOE 2.2 The Council manages performance against budgets.	The Council manages performance against budgets. Arrangements are in place for monitoring performance against budgets and this is reported to senior officers and members on a quarterly basis with a summary update position to the Cabinet and the chairs of the scrutiny committees on a monthly basis. There were no material overspends and those that did occur were expected and managed within the Council's overall resources. Financial information systems are appropriate for managing performance against budgets. Score level 3.
KLOE 2.3 The Council manages its asset base.	The Council manages its asset base adequately. The Capital Strategy and guidance were kept up to date and approved by Cabinet during the year and again in July 2008 when they were updated in line with the new corporate priorities. The Capital Strategy is also better linked to the updated MTFP and Asset Management Plan (AMP) and is based on an up to date asset register as well as taking into account planned maintenance. The Council has a designated property function and is strengthening capacity with the reorganisation of asset management under a new director and head of assets. The strategic asset review is now underway and regular reporting to members continues. Score level 2.

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### Financial standing

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
The Council is financially sound and maintains a prudent level of reserves and balances.	
KLOE 3.1 The Council manages its spending within the available resources.	Current spending plans match available resources, although like other councils, Wirral faces significant challenges to close the budget gap and meet efficiency plans. The Council has a track record of setting a balanced budget and maintaining spending within the budget without significant unexpected overspends or underspends. Income collection is monitored throughout the year to achieve targets and debt recovery is effective. Wirral has invested £2m with an Icelandic bank but as the exposure is low and reserves and balances are prudent it does not indicate poor financial standing or financial management. Score level 3.

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Internal control

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
The Council has a sound internal control environment that enables it to manage its significant business risks.	
KLOE 4.1 The Council manages its significant business risks.	The Council manages its significant business risks well. During the year it has strengthened risk management and built on sound arrangements to improve reporting to members both at portfolio and at corporate level. Risk management has become embedded in business processes and is explicitly linked to the financial and other strategies within the framework of the new corporate priorities. In addition, Wirral was the 2007 winner of a national award from ALARM in the 'asset' risk category and was also highly commended in 2008 in the 'people' risk category. Score level 3.
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	The Council has good arrangements in place to maintain a sound system of internal control. It has recognised the importance of the new Annual Governance Statement and taken corporate responsibility in its development and approval. The operation of the Audit Committee is improving, Internal Audit meets the Chartered Institute of Public Finance and Accountancy (CIPFA) standards and scrutiny is effective. Score level 3.
KLOE 4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	The Council has adequate arrangements in place to promote and ensure probity and propriety in the conduct of its business. The Council has adopted codes of conduct and monitors compliance well. Arrangements for the new role of the standards committee in local investigations and determinations are in place and there is a good level of awareness among the members. An independent chair and two further independent persons have been appointed to the committee. Arrangements to prevent and detect fraud and corruption are effective. However, during the year the Audit Commission received a PIDA disclosure in respect of an individual's concerns about contracts and charging in adult social services. Our review found the individual's concerns may be largely justified and we have therefore raised concerns about the failure of the Council's own systems for dealing with complaints and concerns, including the whistleblowing procedure. Score level 2.



Value for money

<b>Theme score 2</b>	
<b>Key findings and conclusions</b>	
<p>The Council currently achieves satisfactory value for money and costs are broadly commensurate with the range, level and quality of services provided. The Council manages and improves value for money adequately.</p>	
<p>KLOE 5.1 The Council currently achieves good value for money.</p>	<p>Compared with nearest neighbour councils particularly, the cost in Wirral of education, adult social care, housing and benefits are top quartile, performance in services is generally average with some areas of good performance and satisfaction levels are average in most areas. Spending is generally in line with priorities with one significant area of unintended high spending in adult social care. The capital programme is well managed but there are some areas for improvement. There have been some positive improvements to processes aimed at delivering VFM but actions such as the review of VFM profiles are still ongoing into 2008/09 and have not yet delivered improvements in VFM. The vfm review has subsequently been reported to Cabinet in September 2008.</p> <p>Wirral's overall cost per population is above the median position and performance is average. The latest PI data shows that Wirral has 21 per cent PIs above the best quartile breakpoint compared to an average for all single tier authorities of 29 per cent. Wirral is ranked 117th out of 388 for percentage of PIs improved since last year with 64 per cent of PIs improved which is within the average range for all single tier authorities. Overall satisfaction with the Council is 2nd quartile.</p> <p>Whilst there is a mixed picture in terms of costs and performance, there are a number of examples of where good value for money is provided such as in Education where the attainment is good. Areas where value for money is not currently demonstrated and ongoing action is being taken to address high costs include adult social care and looked after children's services. Work is progressing in these areas and costs are now being robustly investigated and challenged to establish the reasons for high costs.</p> <p>The Council has recently reviewed and rationalised its strategic priorities, and effectively allocated resources and investment in line with them. The Council effectively manages and monitors the capital programme.</p> <p>Score level 2.</p>

Theme score 2	
KLOE 5.2 The Council manages and improves value for money.	<p>Understanding of costs continues to improve but unit costs are under developed and best practice approaches are not consistently extended across the Council. Wirral compares its costs with other councils using the high level VFM profile data but understanding of detailed costs is less well developed and the challenge on costs needs to be extended to other services. There is a high level of corporate commitment to good financial and performance management, and an improving performance management culture.</p> <p>There are examples of local needs being considered in the decision making process such as the consultation on capital schemes within New Heartlands and the rationalisation of residential accommodation. The Area Forums, as part of a Government pilot scheme, have budgets allocated to them and are able to determine which local schemes are to be supported. The Council engages with hard-to-reach groups in line with the Customer Access Strategy to support the Council vision.</p> <p>There is no formal programme of value for money reviews but the Council has set challenging efficiency targets as part of the budget setting process. The Council delivered a balanced budget in 2007/08 and achieved £34m savings against the AES target of £26m. There were improvements in VFM in 2007/08 such as the new waste contract which reduced the impact of the waste levy and improved recycling.</p> <p>Wirral continues to enhance its procurement practices and deliver savings both through its own services and also through working with other authorities across Merseyside. The Council won the 2007 Local Government Chronicle Procurement Award and the Government's 4Ps organisation has commended the Council's approach to StreetScene services procurement.</p> <p>IT has been used effectively to improve efficiency, deliver savings and enable business processes to change. This has been supported by the consolidation of a Corporate IT Unit realising additional savings. A change programme has been put in place from February 2008 that should result in further process improvements. For example, social workers have now been equipped with laptops for more efficient data recording and there is improved interface with the waste contractor's IT system to provide improved response to customer queries.</p> <p>Score level 2.</p>

# Conclusion

- 8** The Council's performance demonstrates significant improvement in the use of resources during the period of assessment from April 2007 to March 2008. The overall assessment has improved in two out of the five themes - financial management and financial standing moved from scores of 2 to level 3. Financial reporting and value for money remained at level 2, although there were improvements in arrangements.

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### Use of resources 2008/09

- 9** 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).
- 10** 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.
- 11** The assessment is structured into three themes, containing 10 key lines of enquiry (KLOE) overall:
- managing finances: sound and strategic financial management;
  - governing the business: strategic commissioning and good governance; and
  - managing resources: effective management of natural resources, assets and people.
- 12** 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 single tier and county councils auditors will only assess 9 out of the 10 KLOE. For 2008/09, workforce planning will not be assessed.
- 13** 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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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.

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

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