

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

23 SEPTEMBER 2009

REPORT OF THE DIRECTOR OF FINANCE

AUDIT COMMISSION – FINANCIAL MANAGEMENT REVIEW

1. EXECUTIVE SUMMARY

- 1.1 The Council has made some significant steps to improve and integrate financial and performance management over recent years and in 2009 the Audit Commission has undertaken two pieces of work in this area to help deliver further improvements.
- 1.2 The 'Improvement through better financial management' report from the Audit Commission was issued in September 2009 and was initially undertaken as a separate review to inform the Use of Resources assessment in 2008/09.
- 1.3 The Commission then commenced a Performance Management Review focused upon how performance management is applied consistently across departments and examined progress and highlighted areas of good practice, as well as identifying further opportunities for improvement. The outcome of the first stage of this review and the next steps is reported elsewhere on this agenda.
- 1.4 It is intended that the messages from the Financial Management review will be integrated with the second stage of the Performance Management Review.

2. BACKGROUND

- 2.1 Financial management is integral to the success of any organisation and seeks to ensure that resources are used to successfully deliver the agreed aims and objectives. Clearly there are strong links with performance and Wirral continues to develop the linkages as reported to Cabinet on 9 April 2009 on the Financial and Performance Management arrangements for 2009/10.
- 2.2 Wirral has strengthened its approach to financial and performance management, which can be evidenced by:-
 - The 2008 Comprehensive Performance Assessment (CPA) assessed Wirral as a 3 star council – improving well. This reflected the increase in score for financial management, financial standing and internal control which all increased from 2 stars to 3 stars.
 - Revisions to both the format and timetable of reports to Members combining financial, performance and risk information to enable effective decision making.

- The year-end position for the 2008/09 financial year resulted in an overall reduction in the General Fund balance of £0.2 million. This included the funding of additional pressures within Adult Social Services.
- The budget for 2009/10 was agreed in March 2009 and included an increase in Council Tax of 4.46%.
- Regular budgetary projections for future years are presented to Members which complement and update the information contained within the Medium Term Financial Strategy.

2.3. The latest direction of travel statement from the Audit Commission reflected the improvements made stating that 'The Council continues to develop its capacity for future delivery and has improved its arrangements for managing its resources. Ambitions and priorities for the area have been clarified and performance management arrangements are being strengthened.'

2.4. The Council recognises there is further work to be done, and will continue to develop financial and performance management arrangements to drive further improvements. The Audit Commission review aimed to ensure that the Council continues to develop and strengthen its financial management arrangements to support the delivery of the desired outcomes.

3. THE FINANCIAL MANAGEMENT REVIEW

3.1 The work was based upon the Chartered Institute of Public Finance and Accountancy (CIPFA) financial management model and the revised Use of Resources approach. It involved an on-line survey tailored to specific groups namely Councillors, budget-holders and those within financial services.

3.2 The report which brings together the survey results from the groups is attached as an Appendix and this report plus the separate surveys for each of the groups will be available in the virtual committee.

3.3 The survey was distributed to 412 individuals with 154 responses received, giving a good response rate of almost 40%, with the overall messages being positive.

3.4 The survey highlighted a number of areas which support the progress the Council has made, as recognised in the CPA 2008, in that:-

- The budget is prepared in line with the agreed objectives, strategies and Corporate Plan with the CPA recognising that the Medium Term Financial Strategy, budgets and capital programme are soundly based and designed to deliver the corporate priorities.
- The financial monitoring information made available to Members and finance / non finance staff is a strength. The CPA recognised that the Council manages spending within the available resources and performance against budgets.
- The policies, procedures and guidance is recognised as being good and the financial skills are available, and maintained, in order to support others to manage the finances.

- 3.5 Whilst these messages are positive, one of the key aims was to identify areas for further investigation and improvement. The Audit Commission has set out some issues which, based upon the responses, could be probed further and which are also linked to the approach to identifying and delivering savings:-
- The approach to savings is perceived to be more of a short-term nature resulting in unsupported plans which make delivery challenging.
 - Greater use of comparisons with others, if available, to inform decision making by comparing and benchmarking costs and performance.
 - Awareness and understanding of the Medium Term Financial Plan linked to understanding the service planning and budget setting process.

4. NEXT STEPS

- 4.1 In taking forward the key messages these will be integrated with those from the Audit Commission Performance Management Review and will involve a series of focus groups with managers and Elected Members. These will be prior to an improvement planning session facilitated by the Audit Commission, focused upon any issues raised, with the purpose being to enhance existing financial and performance management arrangements within Wirral.
- 4.2 The Finance Department provides financial training to those engaged with this area of work throughout the Council with an extensive programme completed during 2008/09. This has since been revised to address some of the issues raised around awareness of the budgetary processes and related linkages with other Council strategies.
- 4.3 The Council continues to use a variety of sources to compare cost and performance with this varying to reflect departmental circumstances as evidenced by the work by Adult Social Services in respect of charges and commissioning and by Technical Services regarding streetscene which has produced recycling improvements and delivered savings. The use of the Audit Commission Value for Money profiles, the CIPFA benchmarking site and the more specific areas for Social Services are now being supplemented by the involvement with the PWC (Price Waterhouse Coopers) benchmarking club.

5. FINANCIAL IMPLICATIONS

- 5.1. There are none arising directly from this report.

6. STAFFING IMPLICATIONS

- 6.1. There are none arising directly from this report.

7. EQUAL OPPORTUNITY IMPLICATIONS

- 7.1. There are none arising directly from this report.

8. COMMUNITY SAFETY IMPLICATIONS

8.1. There are none arising directly from this report.

9. HUMAN RIGHTS IMPLICATIONS

9.1. There are none arising directly from this report.

10. LOCAL AGENDA 21 IMPLICATIONS

10.1. There are none arising directly from this report.

11. PLANNING IMPLICATIONS

11.1. There are none arising directly from this report.

12. MEMBER SUPPORT IMPLICATIONS

12.1. There are none arising directly from this report.

13. BACKGROUND PAPERS

13.1 'Improvement through better financial management' - Audit Commission September 2009.

14. RECOMMENDATION

14.1 That the messages from the financial management review be integrated with the Audit Commission review of Performance Management to reflect and build upon the improvements made towards integrating performance and financial management.

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DIRECTOR OF FINANCE

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