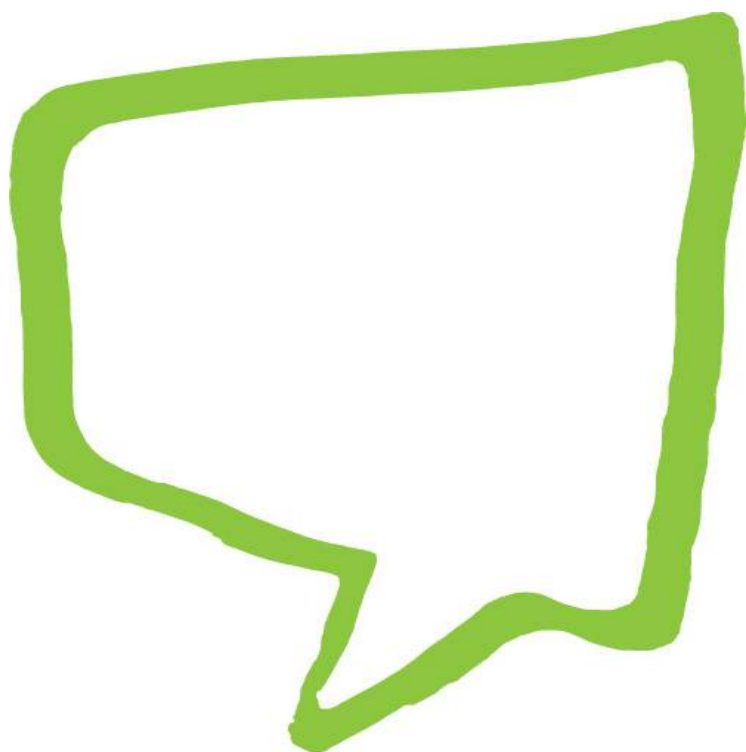


Improvement Through Better Financial Management

Wirral Metropolitan Borough Council

Audit 2008/09

September 2009



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Summary report

Introduction

- 1** Financial management is a key element of a local authority's overall corporate management arrangements. Strong financial management is essential to the efficient use of resources and is a pre-requisite to successful service delivery. The constraints placed upon local authorities require them to have effective methods to prioritise and monitor their finances. It is essential that robust systems of control are in place if services are to meet citizens' local needs.
- 2** Good practice financial management establishes a set of financial policies and principles which provide a sound basis for maintaining the financial integrity of the Council over the medium term, including longer term financial strategies which allow more time for consideration of policy options to address funding gaps.
- 3** The Gershon Report has stated that a significant amount of the funding for the increases in local authority spending in the Comprehensive Spending Review is envisaged to come from efficiency savings. The report identifies a need to release resources into frontline services to meet the public's priorities and to improve the ability of frontline professionals to meet the needs of their customers.
- 4** Local authorities therefore need to be clear about their objectives and their arrangements for achieving them. Effective financial management should:
 - take account of the needs of local communities so people can influence the services they receive;
 - help to drive corporate priorities and achieve sustainable efficiency gains;
 - support the integration of service and financial plans with all the other plans and strategies of the Council; and
 - include systems to ensure that proper controls are in place to prevent the misuse of public funds.
- 5** Effective financial management requires a culture that recognises that financial management is the responsibility of the whole organisation and not just the Finance Department. Clear accountability for finance issues needs to be in place to reinforce this message.

Background

- 6** The 2006 and 2007 Use of Resources assessments judged that the Council's financial management arrangements were 'adequate', highlighting a number of areas for further improvement. In response the Council has continued to develop the Medium Term Financial Strategy, improved links to corporate objectives and priority areas, improved budget management arrangements through the introduction of action plans to address material variances and developed better reporting to Members. The Council also made a significant investment in the new finance system which was implemented in April 2006.
- 7** Our 2008 use of resources assessment recognised the improvements and assessed the arrangements as 'good'. However, the Council continues to face significant financial challenges. The Director of Finance has reported that the current base budget is not sustainable and difficult decisions will need to continue to be taken to balance the budget over the medium to longer term. The Council has agreed measures to reduce its budget and the Cabinet has agreed an efficiency plan target to achieve £30m savings during 2008 to 2011.
- 8** In the context of these financial challenges the Council recognises that the continued development of robust financial management arrangements is essential to ensure that scarce resources are channelled into key priorities and outcomes are achieved. A main part of such arrangements is to maintain an effective medium term strategic plan, which expresses the corporate plan and acts as an essential driver for change. This highlights the importance of the on-going steps the Council is taking to develop its Medium Term Financial Plan.
- 9** The 2008/09 use of resources assessment considers how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people. It is structured into three themes that focus on the importance of sound and strategic financial management, strategic commissioning and good governance, and the effective management of natural resources, assets and people. The work in this report will substantially inform our assessment of the financial management theme and is based on the principles set out in the Commission's publication World Class Financial Management and its research identified in the Audit Commission report 'Improvement through better financial management' (IBFM).
- 10** The assessment for 2008/09 is more demanding than in previous years and will focus more on value for money achievements, outputs and outcomes rather than on processes.

Audit approach

- 11** The overall objective for this review was to ensure that the Council continued to develop and strengthen its financial management and ensure that resource allocation and financial monitoring support the delivery of corporate objectives and achieve outcomes. Our work aimed to both challenge whether the Council's approach includes all the building blocks of effective financial management, and, to support the Council in developing effective financial management.

Summary report

- 12** We based our work on IBFM including the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management model and the new use of resources approach as a source of best practice. This enables us to identify strengths and areas for improvement and allows progress to be tracked over time. In the short term it will allow priorities for improvement to be established in conjunction with the development of an action plan. Our aim is to help the Council to understand and clarify improvement opportunities and how these can be integrated into continuous improvement work across the organisation.
- 13** We agreed to work with the Council to facilitate and support self-assessment and diagnostic work using a survey of members, budget holders and finance staff as part of a general review of financial management arrangements.
- 14** The Audit Commission conducted the survey on financial management at Wirral Council in March 2009. This captured the views of relevant staff, senior managers and councillors to ensure as complete a picture as possible is captured. The survey was designed to collect personal views and experiences of financial management within the Council. This is intended to help the Council understand where it is doing well and what needs to improve for the future.
- 15** The survey was tailored for three specific groups as set out below.

 - Councillors - survey was sent out to a total of 66 councillors and we received 26 responses (39 per cent).
 - Budget holders - survey was sent out to a total of 305 budget holders and we received 97 responses (32 per cent).
 - Financial staff - survey was sent out to a total of 41 financial staff and we received 31 responses (76 per cent).
- 16** The key messages emerging from the survey will be explored in further detail in focus groups with a range of officers. This will provide a better understanding of views expressed in the survey. It will also identify opportunities to share good practice across the Council and areas for improvement, leading to more focused planning of improvement solutions. As part of this stage of the project we will consider the messages alongside the messages from the survey on performance management.

Main conclusions

17 The responses to the survey questions are positive overall and encouragingly the response rate for all groups surveyed was good. In particular, a number of strengths were identified.

Strengths

- All groups agreed that:
 - the Council prepares its budgets in accordance with its corporate objectives, strategies and medium term financial plan;
 - Councillors receive regular budget monitoring information to identify variances in spending and ensure savings are realised; and
 - budget holders and financial staff receive budget monitoring reports during the financial year which provide reliable forecasts of projected outturn so they can take early action to address potential overspends.
- Budget holders and financial staff agreed that finance staff have appropriate skills and experience to support managers/budget holders in managing finance, understand the business they support and provide a satisfactory service.

Areas for improvement and further exploration:

- Budget holders and financial staff:
 - assessed that the council does not always take a medium-term approach to delivering savings rather than short-term expedients, such as pro rata cuts, which ensures budgets are sustainable and any impact on services is minimised;
 - assessed that service areas are not always given adequate resources to deliver the required level of service to achieve the Council's objectives and priorities;
 - do not always feel that annual service planning and budget preparation is sufficiently integrated;
 - responded that cost reductions, growth and savings options are not always identified and supported with detailed plans which are reliably costed as part of the budget process; and
 - responded that unit costs, activity costs, benchmarks and other financial performance measures are not always available and used to inform decisions to maintain or change current services.
- All groups identified the need to improve the review of the cost and performance of services, including Finance, and test them against internal and external benchmarks to identify improvements.
- Councillors and budget holders identified the need for further financial and budget training.

Summary report

- 18** In addition, there were a number of areas - in particular in relation to awareness and understanding of the medium term financial plan (MTFP) - that require further exploration as some of the survey responses were 'don't know'. A number of budget holders and finance staff responded 'don't know' to the following.
- The Medium Term Financial Plan (MTFP) is consistent with the Council's aims and objectives and takes account of local and national priorities, including the Local Area Agreement (LAA)
 - The MTFP and departmental service plans are clearly linked with new investment supported by outcome targets to measure the benefits of additional funding
- 19** A number in all groups responded 'don't know' to the following.
- The MTFP gives a clear direction for allocation of resources to service areas and helps to ensure resources are redirected in line with priorities, with budgets that are sustainable in the longer-term.
- 20** The responses to each of the surveys are available on the Council intranet.
- 21** We shared the results of the surveys with officers in May and met to discuss the way forward in July 2009. We are aware that officers are planning to use the results of the survey to inform further member and budget holder training and to explore the results further at the performance management workshops planned for the autumn.

Recommendation

- R1** Consider the responses from all the surveys and:
- analyse the survey results in further depth to establish whether particular groups are outliers;
 - explore the results of the survey in more depth using focus groups/workshops involving relevant members;
 - compare existing improvements plans against the areas for improvement; and
 - identify gaps in existing improvement plans and take appropriate action.

Financial Management Survey Councillors

22 The survey was sent out to a total of 66 members and we received 26 responses (39 per cent) as follows.

- Four Cabinet
- Three Audit and Risk Management Committee
- Eighteen Overview and Scrutiny Committee
- Seven Planning
- Six Licensing
- Two Standards
- Two Employment and Appointments
- One Other

23 The response by political party was as follows.

- Eighteen Administration (Labour and Liberal Democrat)
- Six Opposition (Conservative and Other)
- Two Prefer not to disclose

24 Copies of the detailed responses are available on the Council intranet.

Strengths

25 The survey highlights that the Council has a number of strengths, as follows.

Budget Setting

- I understand how the budget is set based on the council's key priorities
- I understand how the budget takes account of key financial risks.

Budget Monitoring

- I receive regular budget monitoring information to identify variances in spending and ensure savings are realised.

Linking Financial Management

- Financial management is effectively linked to strategic decision making.

Financial Management Survey Councillors

Financial Management

- I understand the framework of financial accountability throughout the council
- I understand how the key financial risks impact on the council.

Areas for improvement and further exploration

26 The survey has also highlighted areas for improvement or further exploration, as detailed below.

Budget Setting

- I believe that there is public confidence that the council delivers value for money.
- I believe that the council effectively engages with local people, service users and the third sector which informs the budget setting process.

Linking Financial Management

- Financial management is effectively linked to Performance management.
- Financial management is effectively linked to Governance.
- Financial management is effectively linked to Efficiency and VFM agenda.

Financial Management

- I know when and how to access financial advice and receive a satisfactory service
- My learning needs for financial management have been assessed and have been addressed with training or other support
- There is a culture of effective financial management within the Council
- The Council reviews the cost and performance of services, including Finance, and tests them against internal and external benchmarks to identify improvements
- A joined-up/cross cutting approach is adopted for plans which are reflected in budgets and accountability.

Mixed/'don't know' responses

27 There are some areas of the survey with mixed responses which should be explored in further detail.

Budget Setting

- I feel that my views are taken account of during the budget setting process.
- I think that the council plans effectively show resources are allocated to different services and activities aligned with Council priorities.

Budget Monitoring

- Timely and effective action is taken to address financial pressures which arise during the financial year.

Way forward

28 The Council needs to consider the responses from the members' survey.

Financial Management Survey Budget Holders

29 The survey was sent out to a total of 305 budget holders and we received 97 responses (32 per cent) as follows.

- Four Chief Officers/Management Team Member.
- Thirty-one Senior Management Team Member.
- Fifty-one Cost Centre Managers.
- Twelve Other.

30 The response by department was as follows.

- Nine Corporate Services.
- Two Department of Law, HR and Asset Management.
- Twenty-six Adult Social Services.
- Fifteen Children and Young People.
- Twenty Finance.
- Eighteen Regeneration.
- Six Technical Services.

31 Copies of the detailed responses are available on the Council intranet.

Strengths

32 The survey highlights that the Council has a number of strengths, as follows.

Corporate and Financial Planning

- The Council's corporate plan clearly sets out the organisation's aims/objectives and priorities to provide a robust basis for allocation of resources.
- The Council engages with local communities and other stakeholders, such as the third sector, as part of financial planning processes.
- Performance and cost measures are used by the Executive and senior managers to indicate business areas where radical rethinking of delivery is necessary, where appropriate making use of benchmarking.

Budget Setting

- The Council prepares its budgets in accordance with its corporate objectives, strategies and medium term financial plan.

Financial Reporting and Monitoring

- I receive budget monitoring reports during the financial year which provide reliable forecasts of projected outturn so I can take early action to address potential overspends.
- As a budget holder I feel I have sufficient skills to interpret and challenge the financial information I receive.
- Value for money improvement outcomes within my service areas are reported upon.

Competencies, Training and Performance Review

- I am aware of my duties and effect I have on the good financial management of the Council.
- Finance staff have appropriate skills and experience to support managers/budget holders in managing finance.
- Finance staff understand the business they support and provide a satisfactory service.

Policies, Procedures and Guidance

- Financial policies and guidance are communicated to managers, widely understood and consistency applied.
- The authority's financial regulations give me clear and comprehensive guidance on the financial procedures I should follow.
- The organisation provides support, guidance and clear documentation to ensure that managers who are budget holders are aware of their responsibilities.

Areas for improvement and further exploration

33 The survey has also highlighted areas for improvement or further exploration, as detailed below.

Corporate and Financial Planning

- The council takes a medium-term approach to delivering savings rather than short-term expedients, such as pro rata cuts, which ensures my budget is sustainable and any impact on services is minimised.

Financial Management Survey Budget Holders

Budget Setting

- I am satisfied with my involvement in the budget setting process for my service area.
- I am aware how the budget allocated to me has been derived and what is included.
- My service area is given adequate resources to deliver the required level of service to achieve the Council's objectives and priorities.
- I feel that annual service planning and budget preparation is sufficiently integrated.
- Cost reductions, growth and savings options are identified and supported with detailed plans which are reliably costed as part of the budget process.
- Unit costs, activity costs, benchmarks and other financial performance measures are available to me and used to inform decisions to maintain or change current services.

Financial Reporting and Monitoring

- Financial information is clearly presented, timely and comprehensive to the non-financial reader.
- The reports I receive make it easy for me to relate finance with performance and activity information.
- I regularly reviews costs and performance and compare with internal or external Benchmarks.

Competencies, Training and Performance Review

- Post holders who are responsible for resources are required to have specified financial competencies and these are reflected in individual job descriptions and personal specifications.
- I am assessed on the financial competencies for my job as part of the key issues exchange process for staff.
- Financial training needs are identified from staff inductions and appraisals or from service plans, and are addressed in a structured and timely manner with training outcomes evaluated.
- The authority has provided effective financial training for my role as a budget holder.

Mixed/'don't know' responses

34 There are some areas of the survey with 'don't know' responses which should be explored in further detail.

Corporate and Financial Planning

- The medium term financial plan (MTFP) is consistent with the Council's aims and objectives and takes account of local and national priorities, including the Local Area Agreement (LAA).
- The MTFP gives a clear direction for resources in my service area and helps to ensure resources are redirected in line with priorities, with budgets that are sustainable in the longer-term.
- The MTFP and my department's service plan are clearly linked with new investment supported by outcome targets to measure the benefits of additional funding.

Budget Setting

- Cost reductions, growth and savings options are identified and supported with detailed plans which are reliably costed as part of the budget process.

Way forward

35 The Council needs to consider the responses from the budget holders survey.

Financial Management Survey Financial Staff

36 The survey was sent out to a total of 41 budget holders and we received 31 responses (78 per cent) as follows.

- Eighteen Corporate Finance
- Five Finance Staff - Adult Services
- Three Finance Staff - Children's Services
- Three Finance Staff - Other
- Two Finance Staff – not disclosed

37 Copies of the detailed responses are available on the Council intranet.

Strengths

38 The survey highlights that the Council has a number of strengths, as follows.

Corporate and Financial Planning

- The Council's Corporate Plan clearly sets out the organisation's aims/objectives and priorities to provide a robust basis for allocation of resources.

Budget Setting

- The Council prepares its budgets in accordance with its corporate objectives, strategies and medium term financial plan.

Financial Reporting and Monitoring

- Financial information is clearly presented, timely and comprehensive to the non-financial reader.
- Budget monitoring reports are issued during the financial year which provide reliable forecasts of projected outturn so early action can be taken to address potential overspends.

Competencies, Training and Performance Review

- Financial training needs are identified and are addressed in a structured and timely manner with training outcomes evaluated.
- The organisation has a structured training scheme for finance qualification.
- Finance staff are engaged in continuing professional development to keep skills up-to date.
- Finance staff understand the business areas they support and have appropriate skills and experience to effectively support managers/budget holders in managing finance.

Areas for improvement and further exploration

39 The survey has also highlighted areas for improvement or further exploration, as detailed below.

Corporate and Financial Planning

- The council takes a medium-term approach to delivering savings rather than short term expedients, such as pro-rata cuts, which ensures that budgets are sustainable and any impact on services is minimised.

Budget Setting

- Service areas are given adequate resources to deliver the required level of service to achieve the Council's objectives and priorities.
- Annual service planning and budget preparation is sufficiently integrated.
- Cost reductions, growth and savings options are identified and supported with detailed plans which are reliably costed as part of the budget process.
- Unit costs, activity costs, benchmarks and other financial performance measures are available and used to inform decisions to maintain or change current services.

Competencies, Training and Performance Review

- The finance specialism has sufficient status to attract high flyers and talent.
- Technology frees finance staff from transaction processing to focus on their skilled professional contribution.
- Qualified staff focus on challenge, interpretation and advice, rather than on extracting and reorganising information.
- There are effective forums to enable finance staff located corporately and within business groups to network and exchange good practice.

Policies, Procedures and Guidance

- The organisation provides support, guidance and clear documentation to ensure that managers who are budget holders are aware of their responsibilities.

Mixed/'don't know' responses

40 There are a number of areas within the survey with 'don't know' responses which should be explored in further detail.

Corporate and Financial Planning

- The Medium Term Financial Plan (MTFP) is consistent with the Council's aims and objectives and takes account of local and national priorities, including the Local Area Agreement (LAA).
- The MTFP gives a clear direction for allocation of resources to service areas and helps to ensure resources are redirected in line with priorities, with budgets that are sustainable in the longer-term.
- The MTFP and departmental service plans are clearly linked with new investment supported by outcome targets to measure the benefits of additional funding.
- Performance and cost measures are used by the Executive and senior managers to indicate business areas where radical rethinking of delivery is necessary, where appropriate making use of benchmarking.

Financial Reporting and Monitoring

- Budget holders regularly review costs and performance and compare with internal or external benchmarks.
- Value for money improvement outcomes within service areas are reported upon.

Competencies, Training and Performance Review

- The organisation's workforce strategy includes succession planning measures to ensure that it attracts and retains sufficient good quality finance staff.

Way forward

41 The Council needs to consider the responses from the financial staff survey.

Appendix 1 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
IBFM						
7	R1 Consider the responses from all the surveys and: <ul style="list-style-type: none"> analyse the survey results in further depth to establish whether particular groups are outliers; explore the results of the survey in more depth using focus groups/workshops involving relevant members; compare existing improvements plans against the areas for improvement; and identify gaps in existing improvement plans and take appropriate action. 	2	Head of Financial Services	Yes	Finance has analysed the survey results and is planning to explore the results further at the performance management workshops in the Autumn. There are also plans to include the issues in further budget holder and member training.	December 2009

The Audit Commission

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.

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