

WIRRAL COUNCIL

CABINET - 7 JUNE 2007

REPORT OF THE DIRECTOR OF FINANCE

**COMPREHENSIVE PERFORMANCE ASSESSMENT USE OF RESOURCES ACTION
PLAN PROGRESS AND CONSULTATION PROPOSALS**

1. EXECUTIVE SUMMARY

- 1.1 This report provides an update on progress achieved against the Use of Resources (UoR) action plan. This will be assessed in the forthcoming Use of Resources inspection to be undertaken by the Audit Commission and which forms part of the Comprehensive Performance Assessment (CPA).
- 1.2 The report also provides details of proposed changes to the Use of Resources assessments for 2008 onwards. The Audit Commission is currently consulting on these proposals.

2 BACKGROUND

- 2.1 Use of Resources is assessed annually by the Audit Commission. The UoR assessment provides a judgement of performance over five themes: financial reporting; financial management; financial standing; internal control and value for money. The UoR assessment feeds into the overall CPA scoring framework. Within this framework the UoR is classed as a level one assessment area, meaning that it has a high weighting within the overall CPA scoring matrix.
- 2.2 The Use of Resources assessment provides scores between 1 and 4 for the five themes. Within the themes there are also eleven key lines of enquiry which are also scored within the same range. The scores are classed as follows:
 - 1 Inadequate performance
 - 2 Adequate performance
 - 3 Performing well
 - 4 Performing strongly

- 2.3 Wirral was assessed in 2006 as scoring 2 for its UoR assessment. The score for each of the individual themes was also 2. The overall 2006 score was unchanged from 2005. There was however a considerable improvement in the key lines of enquiry scores between the two years. Within the 2006 key lines of enquiry Wirral scored nine 2s and two 3s. The threes related to external accountability and internal control arrangements. In 2005 there had been no scores of 3 and several scores of 1.
- 2.4 The 2007 Use of Resources assessment will take place over the summer of 2007. The Use of Resources is assessed under a harder test regime with the required standards being raised year on year. A report to Cabinet on 24 January 2007 on UoR detailed the harder test elements of the 2007 assessment and provided details of an action plan devised to provide the necessary continuous improvement required.
- 2.5 For future years the Audit Commission is continuing its harder test regime. It has recently published a consultation paper on changes proposed to be effective for the 2008 assessment. As well as continuing 'The Harder Test' the proposals also aim to align the UoR assessment with the likely requirements of the new Comprehensive Area Assessments (CAA), which is intended to replace CPA and begin in 2009.

3. PROGRESS AGAINST USE OF RESOURCES ACTION PLAN

- 3.1 The UoR assessment covers a wide range of corporate activities beyond pure financial areas and is concerned with how the inspected body uses its resources on a corporate level. The key lines on enquiry and the action plan produced cover a range of areas and disciplines, which affect all departments within the Authority. Progress against the five themes is shown below.
- 3.2 Financial Reporting.
- 3.2.1 This contains two key lines of enquiry relating to the production of the 2006-07 accounts and to external accountability. The 2006-07 annual accounts are currently being finalised for approval by Members before the statutory date of 30 June 2007. A number of actions have been taken to ensure the quality of the accounts meets the required standards. These include improved guidance for budget holders, improved liaison with the Audit Commission, close monitoring and adherence to closure of accounts timetables and increased time set aside for qualitative review. In terms of external accountability, it is intended once again to publish on the Authority website, a user friendly summary of accounts to supplement the full version. The accounts will also be improved by the inclusion of further explanation of terminology and additional information. Although I still have a number of vacant accountancy posts due to difficulties of recruitment, the closure of accounts is significantly aided this year by not having as many accountants dedicated to sorting out problems on the one Business systems.

3.3 Financial Management

3.3.1 This theme contains three KLOEs relating to the medium term financial strategy and budget setting, the management of revenue and capital budgets (including partnership work) and the management of its asset base. The nature of the KLOES in particular regarding budget setting and control means that responsibility falls across the whole Authority. Works undertaken include improvements to the medium term financial strategy, improvements to budget monitoring reports to incorporate forward looking impacts of decisions and work to identify partnership risks. Any significant budgetary overspends may impact upon this area. Further improvement in the medium term financial strategy will be dependent on the agreement of a revised Corporate Plan. Progress on this was reported to the Cabinet on 24 May 2007. No significant improvements have been reported in the management of the asset base.

3.4 Financial Standing

3.4.1 This KLOE relates to the overall financial position and links to the previous themes in terms of expenditure being within budget, levels of reserves and balances and cashflow monitoring. Again activities throughout the authority may impact on this area. In terms of actions I have improved the regular financial matters report which is presented to the Finance and Best Value Overview and Scrutiny Committee to expand information regarding cashflow and prudential indicators. Enhancements have been made in terms of reporting of reserves and balances, which will next be reported as part of the closure of accounts process. However the Audit commission continues to believe that the Authority has inadequate balances and reserves.

3.5 Internal Control

3.5.1 This theme contains three KLOEs relating to risk management, the internal control environment and arrangements in place to ensure probity and propriety. The Audit Commission is looking for evidence that these areas are embedded throughout the Authority and therefore all departments contribute towards this assessment. Work has been undertaken to identify and develop corporate risk data, to review the risk management strategy and to roll out risk management training to Members and officers. The constitution has been reviewed including revisions agreed in July 2006 to the financial regulations and further changes to codes of conduct in May 2007

3.6 Value For Money

3.6.1 This area contains two themes relating to achieving value for money and improving value for money. A series of VFM challenge sessions have been held to examine potentially high cost areas based upon the Audit Commission VFM

profiles. Progress and proposed actions from these challenge sessions will eventually be reported to the Cabinet. Further work is required to develop bespoke cost indicators to fit the Wirral priorities and to provide meaningful challenge.

4. USE OF RESOURCES CONSULTATION

4.1 In April 2007 the Audit Commission published a consultation document covering proposed changes for the 2008 UoR assessment and the key lines of enquiry. Authorities have been asked to respond to a series of questions within the consultation document by 7 June 2007. The consultation paper is attached as Appendix A. The consultation questions are attached to this report as Appendix B.

4.2 The consultation paper proposes a number of changes to both the UoR approach and to the key lines of enquiry. The overall objectives of the changes are to fit in with the anticipated Comprehensive Area Assessment regime which is likely to commence in 2009 as detailed in the Audit Commission CPA consultation document 'The transition from CPA to CAA'.

4.3 The broad approach outlined by the Audit Commission is as follows

- Move to reflect expected features of CAA
- Increased focus on outcomes rather than processes
- Assessment to include consideration of commissioning and procurement capabilities linked to third sector funding compact on funding principles
- Focus on partnership working, citizen engagement, sustainability, and greater importance for asset management and data quality
- But no change to 5 themes and 11 key lines of enquiry for 2008
- All level 2 KLOE criteria made mandatory to achieve level 2
- All level 3 KLOE criteria (except for VFM) made mandatory to achieve level 3

Response: In general it seems reasonable to adopt the above approach which will place further emphasis on continuous improvement. It must be noted that the intention to make all criteria at levels 2 and 3 mandatory to achieve that level will raise the bar further.

4.4 A large number of revisions are proposed to the existing criteria in relation to the 11 key lines of enquiry within the 5 themes. There are also a number of new criteria, which are proposed. The significant changes and my response on these are expressed below

4.4.1 Financial Reporting

- Published information in relation to financial reports is made available to the public in a timely and accessible format (Levels 2,3)
- The annual Report or similar document includes information and analysis of the environmental footprint. (Level 4)

Response: The first point is acceptable and the website does contain relevant information. Some further guidance would be needed on the requirements for measuring our environmental footprint and how this is to be assessed by the Audit Commission.

4.4.2 Financial Management

- Equality impact assessments are made in relation to Council strategies and how these and budgetary decisions affect communities (Level 2)
- A joint medium-term financial plan is produced with major partners (Level 4)
- Strategic asset management is enhanced, and challenges whether all assets are fit for purpose, provide value for money and deliver corporate priorities (Level 3)
- Asset management is used as a driver and enabler of change and integrated with other public sector agencies to provide shared use of assets and services (Level 4)

Response: The Authority does assess its impact upon its users. Some clarification is required as to the steps it is expected to undertake beyond what it already does. A joint medium-term financial plan across the public sector would be heavily dependent upon clear guidance of future funding in the medium to long term across the public sector. Given the current issues regarding late notification by the Government of Local Area Agreement allocations and the potential late notification of funding arising from the forthcoming Comprehensive Spending Review this may be a long term aspiration. In terms of asset management work on developing the asset management and investment strategies will contribute to meeting the requirements. There may be some issues regarding the degree of subjectivity in measuring if 'all assets' comply with the necessary standards.

4.4.3 Financial Standing

- Challenging targets for actively managing income collection and arrears recovery (Level 3)

Response. I agree to the change in emphasis from requirements to have monitoring in place to having challenging targets. The assessment however needs to take account of authorities like Wirral which are already performing well in terms of collection rates and the scope they therefore have for improvements.

4.4.4 Internal Control

- A senior officer and Member jointly champion and take responsibility for embedding risk management throughout the Council. This was a level 4 requirement which will now be level 3 under the harder test.
- Reports in support of strategic policy decisions, and to initiate major projects include a sustainability impact assessment. (Level 3)
- Effective scrutiny and partnership arrangements (Level 3)
- Standards Committee decisions communicated openly to a wider public. (Levels 2 and 3)
- Employees of contracting organisations are aware of whistle blowing policies (Levels 3 and 4)
- All application forms for services permit data sharing for prevention of fraud and corruption.

Response: These requirements do not seem unreasonable providing data sharing arrangements can be designed to meet any legal requirements.

4.4.5 Value For Money (VFM)

- Data Quality standards are in place (Levels 2,3 and 4)
- Assessment of impact of decisions and VFM on community groups (Levels 2,3,4)
- Tracking of VFM improvements over years (Levels 2,3,4)
- Improving VFM through partnership working
- Use of ICT to improve access and VFM of services

Response: Again the criteria seem reasonable. Further detail would be required regarding the degree of impact assessments the Authority would need to undertake.

5. **FINANCIAL AND STAFFING IMPLICATIONS**

5.1 There are no direct financial or staffing implications arising from this report.

6. **EQUAL OPPORTUNITIES IMPLICATIONS**

6.1 There are none arising directly from this report

7. **HUMAN RIGHTS IMPLICATIONS**

7.1 There are none arising directly from this report

8. LOCAL AGENDA 21 IMPLICATIONS

8.1 There are none arising directly from this report

9. COMMUNITY SAFETY IMPLICATIONS

9.1 There are none arising directly from this report

10. PLANNING IMPLICATIONS

10.1 There are none arising directly from this report

11. LOCAL MEMBER SUPPORT IMPLICATIONS

11.1 There are none arising directly from this report

12. BACKGROUND PAPERS

12.1 Audit Commission Use of Resources; Consultation on proposals for assessments taking place in 2008. - April 2007

12.2 Audit Commission consultation paper The Transition from CPA to CAA - April 2007

13. RECOMMENDATIONS

That

(1) the progress in delivering the Use of Resources Action Plan be noted; and

(2) the response to the Audit Commission Use of Resources consultation for 2008 be endorsed.

IAN COLEMAN

DIRECTOR OF FINANCE

FNCE/108/07