

METROPOLITAN BOROUGH OF WIRRAL

FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

21 JUNE 2006

REPORT OF THE DIRECTOR OF FINANCE

COMPREHENSIVE PERFORMANCE ASSESSMENT (CPA) - USE OF RESOURCES

1. EXECUTIVE SUMMARY

1.1 This report outlines the action plan prepared in response to the issues raised by the Use of Resources assessment 2005 and advises of the consultation paper issued by the Audit Commission in February 2006. The action plan was agreed by the Cabinet on 8 May 2006.

2. BACKGROUND

2.1 First introduced in December 2002 the Comprehensive Performance Assessment 2005 (CPA) focused on achievements and outcomes rather than the processes involved. Under what the Audit Commission described as 'the harder test' Wirral retained a score of 2. The key elements remained the same as in 2002 with a Corporate Assessment as well as those for key services together with an assessment as to how each authority uses its resources.

2.2 The Code of Audit Practice launched by the Audit Commission on 1 April 2005 gave auditors a specific responsibility to scrutinise use of resources. Clearly the focus being on links between sound finances, strong management and good performance this means examining the overarching financial and performance management framework rather than individual service areas.

3. CORPORATE AND USE OF RESOURCES ASSESSMENTS

3.1 There are strong links between the two as within the Corporate Assessment the ability to achieve covers both accountability and the effective use of resources. Accountability refers to the financial capacity and involves looking at the management arrangements as well as the resources made available Effectiveness, besides Value for Money, reviews links with the Council strategies for Human Resources, Asset Management and Procurement. The Corporate Assessment is reviewed every three years.

3.2 The Use of Resources is an annual assessment that evaluates how well councils manage and use resources. It focuses upon the importance of sound and strategic management to ensure that resources are available to support Council priorities and improve services. The judgement is based upon the outcomes and controls in place assessed at corporate rather than at an individual departmental level and is designed to set increasingly higher standards as the years progress.

3.3 The judgement follows five Key Lines of Enquiry being: - Financial Reporting, Financial Management, Financial Standing, Internal Control and Value for Money. Each of the five is individually scored and an overall judgement awarded. The increased expectations and higher standards were reflected in the scores as adequate performance scores 2 whereas previously it would have been awarded a score of 3.

- 4 = Well above minimum requirements and performing strongly.
- 3 = Consistently above minimum requirements and performing well.
- 2 = Only at minimum requirements and adequate performance.
- 1 = Below minimum requirements and inadequate performance.

4. USE OF RESOURCES 2005

4.1 The assessment was based upon evidence submitted, additional work by the Audit Commission as well as their knowledge of the Council and then subjected to quality checks at both regional and national levels to ensure consistency of approach between Councils. The Audit Commission report and details of the assessment were reported to Finance and Corporate Management Select Committee on 30 January 2006.

4.2 The 2005 assessment scored the Use of Resources as a 2 and a breakdown across the key areas is shown below. The Audit Commission has made it very clear that in addition to directly impacting on the two areas that scored a 1 the Public Interest Report and the Social Services budget overspend in 2004/05 also affected the other scores.

	Key Line of Enquiry	Score
1	Financial reporting	2
2	Financial management	2
3	Financial standing	1
4	Internal control	1
5	Value for money	2
	Overall Use of Resources	2

4.3 The overall score of 2 was the same as over 40% of single tier and county councils with over 50% attaining a score of 3. For the areas of financial standing and internal control the scores of 1 placed Wirral in the bottom 10% for those areas.

5. USE OF RESOURCES 2006

- 5.1 As referred to previously the Use of Resources is an annual assessment and the Audit Commission issued a consultation document in February on the proposals for 2006. Responses were required by 17 March 2006 and the details will be finalised by late July 2006.
- 5.2 It is proposed that the assessment will be on the same time-scales as for 2005 and be more closely linked to the Annual Audit of the year-end accounts which will reflect the arrangements in place at 31 March 2006 and will have to be completed by 30 September 2006.
- 5.3 The proposals aim to build upon the methodology used in 2005 and whilst retaining the five Key Lines of Enquiry will:
- (a) reflect feedback and changes in legislation / guidance
 - (b) increase the areas that are considered essential to be in place to achieve a level / score.
- 5.4 Each score has set criteria and of these a number were seen as essential with all of these required to achieve a particular score. The proposals seek to establish virtually all of the criteria as essential to achieve scores of 2 and 3 with guidance issued around the factors taken into consideration for awarding a score of 4.
- 5.5 The details of the consultation and the responses are included at Appendix B and the main conclusions are that the proposals, as expected, clearly aim to raise the standards required from Councils with two key messages:-
- (a) Financial, asset and risk management and corporate governance are critical to the overall management of the Council and a responsibility of all those engaged in the provision of services. The score reflects the performance of each department in all the areas covered.
 - (b) The Corporate Plan should have clear objectives identifying the priority areas and expected outcomes and should drive the financial and other strategies, in order that resources can be directed towards the delivery of the priorities.

6. USE OF RESOURCES ACTION PLAN

- 6.1 Based upon the comments of the Audit Commission on the 2005 assessment and the proposals for 2006 discussions took place to determine an action plan to secure improvements in the next annual assessment. The plan is detailed in Appendix A and the main issues identified in the following sections.

6.2 In terms of the specific issues which affected the score:-

- (a) Members have previously been advised of the actions taken in response to the Public Interest Report, which continue to be monitored.
- (b) The Social Services financial position has regularly been reported to Select Committees and Cabinet throughout 2005/06 with additional financial resources having been allocated.

6.3 A number of issues raised by the Audit Commission in their assessment have already been addressed as part of the continuous improvement to services as part of the annual service planning process. The action plan however is being used as a checklist of points raised. The plan therefore contains a combination of actions already achieved and those to be achieved. The plan contains a number of general themes:-

- (a) Annual Statement of Accounts and Financial Management Arrangements. Continued improvements to the timeliness and supporting working papers. Improved reporting to, and training for, Members. Consultation with stakeholders regarding format of information and further development of internet content.
- (b) Financial Monitoring. Improvements to revenue and capital monitoring information. Robust action plans developed to deal with material variances. Asset management information maintained and monitored.
- (c) Risk Management and Internal Control. Embedding of risk management within the organisation. Risk management training provided to relevant Members and officers. Procedures and guidance regularly updated. Creation of an Audit Committee.
- (d) Training. Ensure financial training is developed throughout the organisation. Including training for Members, budget holders, risk owners. One business system training linked into financial management training
- (e) Partnerships. Further development of monitoring procedures. Risk management of partnerships reviewed. Additional training.
- (f) Value For Money (VFM). This area is covered within the Corporate Action Plan. Actions to include improvements to benchmarking information, and cost indicators, use of Audit Commission VFM profile data and strengthening linkages between VFM and performance reporting.

7. FINANCIAL AND STAFFING IMPLICATIONS

7.1 There are no direct financial or staffing implications arising out of this report.

8. EQUAL OPPORTUNITIES 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. COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising directly from this report.

12. PLANNING IMPLICATIONS

12.1 There are none arising directly from this report.

13. LOCAL MEMBER SUPPORT IMPLICATIONS

13.1 There are no particular implications for any Members or wards arising out of this report.

14. BACKGROUND PAPERS

14.1 The following were used in the preparation of this report;-
Report of the Director of Finance to the Finance and Corporate Management Select Committee on 30 January 2006.
Use of Resources – consultation document issued by the Audit Commission in February 2006.

15. RECOMMENDATIONS

15.1 That the proposals in, and responses to, the consultation paper on Use of Resources be noted.

15.2 That the action plan responding to the issues raised by the Use of Resources assessment be noted.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/108/06

USE OF RESOURCES – ACTION PLAN

1. FINANCIAL REPORTING

Objectives	Actions	Milestones	Start and End Dates	Lead Officer(s)	Links to Other Plans
1. The council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers	1.1 Continue to reduce the number of matters raised at audit.	<ul style="list-style-type: none"> • Review Audit Commission Audit 2004/05 action plan and implement recommendations. • Compare SORP and current procedures and update relevant parts in the Closedown Procedure Manual. • Improve monitoring of closedown. 	<ul style="list-style-type: none"> • February - June 2006 • February - June 2006 March –June 2006	Peter Molyneux Reg Huyton	Finance Department Annual Plan
	1.2 Continue to improve working papers.	<ul style="list-style-type: none"> • On-going review as part of closure of accounts processes. Work with Audit Commission on requirements 	<ul style="list-style-type: none"> • March –June 2006 	Peter Molyneux Reg Huyton	Finance Department Annual Plan

Objectives	Actions	Milestones	Start and End Dates	Lead Officer(s)	Links to Other Plans
	1.3 Increase member involvement in financial accounts scrutiny. Produce a report that accompanies the accounts to provide a clear interpretation of the accounts and highlights key issues.	<ul style="list-style-type: none"> • Explore interest in a training course for members. • Repeat the member briefing session before the committee meeting to allow members an opportunity to raise any issues. • Obtain feedback from members on the report, the training, and the briefing and on any other assistance they require to understand the financial accounts. • Evidence that the accounts were subject to increased robust member scrutiny/discussion. Minute briefing points/issues 	<ul style="list-style-type: none"> • April - September 2006 	Peter Molyneux Reg Huyton	Finance Department Annual Plan
2. The council promotes external accountability.	1.1 Further develop consultation with stakeholders in respect of published financial information, systems requirements and training.	<ul style="list-style-type: none"> • Further identification of 'stakeholders' • Explore the use of the Citizens Panel survey and the Wirral website to obtain input from stakeholders. • Clearer evidence of consultation and response to stakeholders. 	<ul style="list-style-type: none"> • April - June 2006 	Peter Molyneux/Reg Huyton	Corporate Action Plan

Objectives	Actions	Milestones	Start and End Dates	Lead Officer(s)	Links to Other Plans
	1.2 Consider the context of an 'Annual Report'.	<ul style="list-style-type: none"> • Review current BVPI annual report and/or similar documents. Consider inclusion of summary accounts and an explanation of key financial information/technical terms designed to be understandable by the members of the public. 	<ul style="list-style-type: none"> • By Summer 2006 	Jane Morgan/ Peter Molyneux	Corporate Action Plan
	1.3 Continue to improve communication on the availability of reports in other formats are available on request.	<ul style="list-style-type: none"> • Reports are available in a wide variety of formats to meet local user needs. • Explore the use of a standard message included on all public documents re different formats. • . 	<ul style="list-style-type: none"> • By Summer 2006 	Corporate Services	Corporate Action Plan

2.FINANCIAL MANAGEMENT

Objectives	Actions	Milestones	Start and End Dates	Lead Officer(s)	Links to Other Plans
<p>3. The council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.</p>	<p>1.1 Update/review the Constitution for financial matters. A formalised regular training programme providing training on financial issues for members, finance staff and non-finance staff.</p>	<ul style="list-style-type: none"> • There is clear guidance available to budget holders in The Constitution and from the finance department. • Timetabled regular financial training. 	<ul style="list-style-type: none"> • Summer 2006 	<p>Ian Coleman Tom Sault Mark Reaney</p>	
	<p>1.2 The Capital Projects assessment form includes Prudential indicators. The indicators are used in assessing the affordability of capital projects.</p>	<ul style="list-style-type: none"> • A briefing note to members explaining the purpose of the Prudential Code. Include examples on how to apply the code in decision making on the use of financial resources. List the Prudential Indicators. Make a decision on the Prudential Indicators to apply in assessing capital projects. • Trial the selected indicators to a sample of projects. • Apply the indicators to all projects. Monitor results and review for further changes. Feedback the information through regular reports. 	<ul style="list-style-type: none"> • Summer 2006 	<ul style="list-style-type: none"> • Tom Sault 	<p>Finance Department Annual Plan</p>

Objectives	Actions	Milestones	Start and End Dates	Lead Officer(s)	Links to Other Plans
4. The council manages performance against budgets.	<p>1.3 Make transparent from published documents how all savings decisions are linked to priorities. MTFP to specify how funding gaps are to be financed.</p> <p>To more explicitly consider capital investment plans and their revenue implications.</p> <p>Include risk assessments and financial contingency planning, sensitivity analysis and the financial implications of expected developments in services.</p>	<p>The corporate business plan drives the medium-term financial strategy and internal resource allocation, with changes in allocations determined in accordance with policies and priorities.</p> <p>Review Business Case guidance for Capital Investment for the inclusion of these issues.</p>	<p>• On going process</p> <p>Reviewed Summer 2005</p>	Tom Sault	Medium Term Financial Plan
	<p>1.1 Monitoring linked to operational activity indicators and focused on large, high risk or volatile budgets. .</p>	<ul style="list-style-type: none"> • Regular reporting to committee to highlight these areas. 	<ul style="list-style-type: none"> • On-going 	Chief Officers	Finance Department Annual Plan
	<p>1.2 The Executive receives fully accrued financial monitoring reports on a quarterly basis including appropriate revenue account and balance sheet items.</p>	<ul style="list-style-type: none"> • Review content of monitoring report information 	<ul style="list-style-type: none"> • On-going 	Tom Sault	Finance Department Annual Plan

Objectives	Actions	Milestones	Start and End Dates	Lead Officer(s)	Links to Other Plans
5. The council manages its asset base.	1.3 Robust, corrective action plans are developed and challenged when a material budget variance arises or is forecast.	Budgets are approved before the start of the year and monitored regularly throughout the year. Regular reporting to Finance and Corporate Management Committee. <ul style="list-style-type: none"> Major budget variations are minimised. 	<ul style="list-style-type: none"> On-going 	Chief Officers	Constitution
	1.1 The council maintains an up to date asset register.	<ul style="list-style-type: none"> The register is updated regularly. 	<ul style="list-style-type: none"> On-going process 	Kevin Adderley	
	1.2 There is a clear robust plan in place to reduce the level of backlog maintenance.	Review the plan procedure to identify and prioritise maintenance requirements. <ul style="list-style-type: none"> Delivery of the plan is monitored. 	<ul style="list-style-type: none"> On-going 	Kevin Adderley/Jeff Sherlock	
	1.3 The council has developed a set of local performance measures in relation to assets that link asset use to corporate objectives.	<ul style="list-style-type: none"> Clear evidence of measures used. 	<ul style="list-style-type: none"> Already achieved 	Kevin Adderley	
	The council makes investment and disposal decisions based on thorough option appraisal and whole life costing.	<ul style="list-style-type: none"> Decision methodology is embedded. 	<ul style="list-style-type: none"> Summer 2006 	Kevin Adderley	

3. FINANCIAL STANDING

Objectives	Actions	Milestones	Start and End Dates	Lead Officer(s)	Links to Other Plans
6. The council manages its spending within the available resources.	1.1 Review the policy on the level and nature of reserves and balances determined on understanding of needs and risk, and reflected in the MTFP.	<ul style="list-style-type: none"> • A full review of the level and nature of reserves and balances. • Regular reporting to committee. • Ensure the reserve complies with the requirements of the SORP by preparing a protocol. 	<ul style="list-style-type: none"> • On-going 	Ian Coleman Tom Sault	Medium Term Financial Plan
	1.2 The council sets and monitors targets for all material categories of income collection and recovery of arrears, based on age profile of debt.	<ul style="list-style-type: none"> • Expansion of financial matters report 	<ul style="list-style-type: none"> • On-going 	<ul style="list-style-type: none"> • Malcolm Flanagan/Reg Huyton 	
		<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • 		

4. INTERNAL CONTROL

Objectives	Actions	Milestones	Start and End Dates	Lead Officer(s)	Links to Other Plans
<p>7. The council manages its significant business risks.</p>	<p>1.1 The risk management process specifically identifies risks and provides for assurances to be obtained about the management of those risks.</p>	<ul style="list-style-type: none"> • More effective scrutiny through establishment of Audit & Risk Management Committee. • Internal Audit programme to be informed by key corporate and departmental risks. • Quality of risk data in business plans to be reviewed annually • Risk management is embedded in all processes – linked to training programme. 	<ul style="list-style-type: none"> • April 2006 • First review took place January 2006 	<ul style="list-style-type: none"> • Mike Lane • David Garry • Mike Lane (Risk Management Forum) 	<p>Corporate Action Plan</p>
	<p>1.2 All appropriate staff given relevant training and guidance to enable them to take responsibility for managing risk within their own working environment. The members with specific responsibility for risk management given risk management awareness training.</p>	<ul style="list-style-type: none"> • Risk management awareness training fully developed / delivered to relevant members and officers. 	<ul style="list-style-type: none"> • Start of initial programme for senior managers- February 2006- completed • End of initial programme May- November 2006 for middle/junior managers 	<ul style="list-style-type: none"> • Mike Lane 	<p>Corporate Action Plan</p>

Objectives	Actions	Milestones	Start and End Dates	Lead Officer(s)	Links to Other Plans
8. The council has arrangements in place to maintain a sound system of internal control.	<p>1.3 The risk management process specifically identifies risks in relation to partnerships and provides for assurances to be obtained about the management of those risks.</p> <p>1.1 The council has arrangements in place to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.</p> <p>Annual review and update of procedure notes / manuals for business-critical systems and disaster recovery arrangements.</p>	<ul style="list-style-type: none"> • All partnerships to be identified in a comprehensive exercise (Report to COMT 8/3/06) • Examination of partnership risks covered in risk management training programme. • Guidance for officers on identifying and managing partnership risks to be developed. • Risk management considered as a matter of course for all partnerships. <p>There is compliance with relevant laws, regulations, policies and procedures.</p> <p>Check regular tests and reviews have taken place.</p>	<ul style="list-style-type: none"> • From March 2006 • Training started February • By June 2006 <p>3 March 2006 to 31 March 2006</p>	<ul style="list-style-type: none"> • COMT • Mike Lane • Mike Lane (Risk Management Forum) <p>Mark Reaney (Relevant laws and regulations) Ilan Coleman (Expenditure is lawful) John Carruthers (Disaster recovery) CO's (Policies and Procedures)</p>	<p>Corporate Action Plan</p> <p>Constitution/Internal Audit Annual Plan</p>
	<p>1.2 The standing orders, standing financial instructions and scheme of delegation are reviewed at least annually.</p>	<ul style="list-style-type: none"> • Annual review completed. 	<ul style="list-style-type: none"> • 1 March 2005 to 30 April 2006 	<ul style="list-style-type: none"> • Ray Williams • Mark Reaney • Ilan Coleman 	<p>Constitution</p>

Objectives	Actions	Milestones	Start and End Dates	Lead Officer(s)	Links to Other Plans
9. The council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	1.3 A Committee to provide effective leadership including comprehensive coverage of all responsibilities in relation to the internal control environment.	<ul style="list-style-type: none"> Terms of reference principal responsibility to include audit and governance issues. 	<ul style="list-style-type: none"> 5 September 2005 to 31 March 2006 	Mark Reaney	Constitution
	1.1 Create an audit committee, which is constituted as a full committee of the council and is independent of both the Executive and Scrutiny functions.	<ul style="list-style-type: none"> An audit committee. Audit committee members receive specific training relevant to their responsibilities. 	<ul style="list-style-type: none"> 5 September 2005 to 31 March 2006 	Mark Reaney	Constitution
	1.2 Improve the communication to staff and those parties contracting with the council of the Whistleblowing policy.	<ul style="list-style-type: none"> Increased awareness of the policy. Guidance to external contractors on website. Policy incorporated within tender documentation 	<ul style="list-style-type: none"> On going or achieved 	<ul style="list-style-type: none"> Paul Bradshaw/Ray Williams 	
	1.3 The Council is proactive in its role to raise and promote the standards of ethical behaviour, e.g. through the Standards Committee.	The provision of ethics training. Money Laundering awareness <ul style="list-style-type: none"> 	<ul style="list-style-type: none"> On-going ML courses early 2006 	Mark Reaney	Corporate Action Plan

USE OF RESOURCES – CONSULTATION DOCUMENT

ISSUED BY THE AUDIT COMMISSION IN FEBRUARY 2006

OVERVIEW OF THE ISSUES AND THE RESPONSES

General Matters

These encompass matters such as the statutory requirement to complete the year end accounts by 30 June, the need to regularly review the capacity for financial services, clarified issues around the reporting of reserves and income collection, the guidance relating to Audit Committees and the value for money details were clarified in the light of feedback.

Response: The nature of these changes is essentially technical and so they are therefore acceptable.

Financial Reporting

To achieve a score of 3 requests for information from Audit must be dealt with promptly and summary financial information that meets the needs of a range of stakeholders must be published.

Response: Agree in principle although guidance on the summary financial information to be considered to meet the needs of stakeholders would assist.

Financial Management

To achieve a score of 2 arrangements for monitoring cash flow and a review of the financial performance of significant partnerships are required. For a 3 then the Medium Term Financial Strategy must be communicated to stakeholders; profiled monitoring reports produced within prescribed timescales; training programmes for members and staff on financial issues; a member given responsibility for asset management and performance measures linking use of assets to corporate objectives developed.

Response: Agree but the timing of the consultation and the July date for confirmation of the proposals presents difficulties in becoming effective before 31 March 2006.

Financial Standing

Essential for a score of 2 is the setting and monitoring of targets for all material categories on income collection and arrears recovery.

Response: Agree.

Internal Control

To score 2 governance arrangements are required for significant partnerships. A 3 requires appropriate staff to be trained in risk management, standing orders, financial instructions and system procedures are reviewed and updated as appropriate; a proactive approach to raising standards of ethical conduct and anti-fraud and corruption work is adequately resourced.

Response; Agree although clarification on 'significant partnerships' would be welcomed if a consistent approach is to be adopted across all authorities.

Value for Money

There are no changes to the 'must have' areas although greater clarity on the need to regularly review, manage and improve cost effectiveness has been given. This covers the identification and delivery of efficiency targets through procurement and reviews in line with Best Value legislation.

Other Issues

If implemented in 2006 the requirement to meet the criteria would have to be in place by 31 March 2006 and if implemented in 2007 would be 31 March 2007.

Response: The timing of the consultation, and the fact that District Councils are awaiting their 2005 results, support the case for a 2007 implementation. The alignment with the financial year and year end accounting is welcomed as it avoids duplication of workload.

It is proposed that a detailed self-assessment re-submission is only required for Councils which scored 1 under value for money otherwise an update on progress made will be sufficient.

Response: Would concur with the proposals.