

WIRRAL COUNCIL

FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

19 JUNE 2007

REPORT OF THE DIRECTOR OF FINANCE

COMPREHENSIVE PERFORMANCE ASSESSMENT USE OF RESOURCES ACTION PLAN PROGRESS

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).

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. FINANCIAL AND STAFFING IMPLICATIONS

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

5. EQUAL OPPORTUNITIES IMPLICATIONS

5.1 There are none arising directly from this report

6. HUMAN RIGHTS IMPLICATIONS

6.1 There are none arising directly from this report

7. LOCAL AGENDA 21 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. PLANNING IMPLICATIONS

9.1 There are none arising directly from this report

10. LOCAL MEMBER SUPPORT IMPLICATIONS

10.1 There are none arising directly from this report

11. BACKGROUND PAPERS

11.1 None were used in the preparation of this report.

12. RECOMMENDATION

12.1 That Members note the progress in delivering the Use of Resources Action Plan

IAN COLEMAN

DIRECTOR OF FINANCE