

Use of Resources Auditor Judgements

Wirral Metropolitan Borough Council

Audit 2007/08

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Introduction

- 1 The Use of Resources (UoR) assessment evaluates how well councils manage and use their resources. The assessment is carried out each year and focuses on the importance of strategic financial management, sound governance and effective financial reporting arrangements. These should support your Council in the achievement of its priorities and improving services, whilst delivering value for money.
- 2 This is the third assessment we have undertaken at Wirral Council. Our assessment is based on the key lines of enquiry for 2007. These include new requirements for councils as part of the Commission's approach to phasing in those elements that need more lead in time and to supporting improvement by gradually raising the standard of the assessment. The period assessed for 2007 has also been aligned with the financial year 2006/07. Councils may, however, provide evidence that becomes available after the end of the financial year, to demonstrate their arrangements are working effectively and are embedded.
- 3 The overall use of resources assessment is made up of five themes. Judgements have been made for each theme using the Audit Commission's scale. This scale is used across its inspection and performance assessment frameworks.

Table 1 Standard scale used for assessments and inspections

1	Below minimum requirements – inadequate performance
2	Only at minimum requirements – adequate performance
3	Consistently above minimum requirements – performing well
4	Well above minimum requirements – performing strongly

- 4 In forming our assessment, we have used the methodology set out in the Use of Resources Guidance for Councils 2007, which can be found on the Commission's web site. We have also taken account of our findings and conclusions from previous years' assessments and updated these for any changes and improvements to the Council's arrangements.
- 5 The five theme scores for Wirral Council are outlined overleaf. The Commission will notify you of your Council's overall score for use of resources and supporting theme scores. This is scheduled for 10 December 2007.
- 6 This summary sets out our key findings in relation to each theme and key areas for improvement based on the 2007 Key Lines of Enquiry (KLOEs). We have also identified key changes for the 2008 KLOEs.

Use of resources judgements

Table 2 Summary of scores at theme and KLOE level

Key lines of enquiry (KLOEs)	Score 2007	Score 2006
Financial reporting	2	2
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	2	2
1.2 The Council promotes external accountability.	3	3
Financial management	2	2
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	2	2
2.2 The Council manages performance against budgets.	2	2
2.3 The Council manages its asset base.	2	2
Financial standing	2	2
3.1 The Council manages its spending within the available resources.	2	2
Internal control	3	2
4.1 The Council manages its significant business risks.	2	2
4.2 The Council has arrangements in place to maintain a sound system of internal control.	3	3
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	3	2
Value for money	2	2
5.1 The Council currently achieves good value for money.	2	2
5.2 The Council manages and improves value for money.	2	2

Theme summaries

- 7 The key findings and conclusions for each of the five themes are summarised in the following tables.

Financial reporting

Table 3

Theme score - 2	
Key findings and conclusions	
<p>The Council has continued to improve its year-end financial reporting arrangements. The closedown arrangements for 2006/07 were strengthened by better year end cut off procedures, an improved internal qualitative review of the accounts prior to approval by Members and submission to audit, and further improved working papers. The accounts were accompanied by an explanatory paper and presentation providing interpretation of the accounts and highlighting key issues for the benefit of members. The Council continues to have good arrangements for promoting external accountability. Although the accounts presented for audit required fewer and less significant audit amendments, the amendments were consistent with our assessment that the Council performed adequately in respect of financial reporting.</p>	
Improvement opportunities	
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p>Build on the progress made in 2006/07 and continue to improve the quality of accounts and closedown arrangements to ensure the accounts only contain a small number of non-trivial errors.</p> <p>Strengthen procedures in specific areas including the classification of reserves and provisions, and the analysis of debtor and creditor balances.</p>
<p>KLOE 1.2 The Council promotes external accountability.</p>	<p>Publish in accessible formats an annual report or similar document which includes summary accounts and an explanation of key financial information/technical terms designed to be understandable by members of the public.</p>

Financial management

Table 4

Theme score - 2	
Key findings and conclusions	
<p>The Council has continued to develop its MTFP, with good communication of key messages to all staff. A key requirement for level 3 is the need for a corporate plan that clearly sets out the Council's strategic aims, objectives and service priorities and drives its MTFP and resource allocation. Arrangements to satisfy this requirement were not embedded in 2006/07. The Council recognises the need for progress in this area and has recently revised its corporate plan. The Council generally has good financial management arrangements. It has recognised the need for a three year efficiency plan to address the significant budget shortfall facing the Council but has made limited reported progress to date in formalising its efficiency plan and response to the underlying budget position. The Council has therefore been assessed as performing adequately. The Council has strengthened its arrangements for the risk assessment of partnerships. It has updated its Capital Strategy and Asset Management Plan.</p>	
Improvement opportunities	
<p>KLOE 2.1 The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.</p>	<p>Finalise the corporate plan and ensure it drives the MTFP and resource allocation.</p> <p>Develop the MTFP, in the context of an agreed corporate and efficiency plan, and ensure it clearly reflects the resource implications of other strategies, eg HR, IT asset management, and includes measures to address any identified funding gaps.</p>
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>Finalise plans for delivering the Council's efficiency plan targets.</p> <p>Fully embed arrangements for reviewing the financial performance of significant partnerships.</p>
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>Report to members, at least annually, on the performance of the property portfolio.</p> <p>Develop a set of local performance indicators that evaluate asset use in relation to corporate objectives.</p> <p>Ensure the Asset Management Plan is kept up to date by annual review.</p> <p>Develop existing reporting on backlog maintenance.</p>

Financial standing

Table 5

Theme score - 2	
Key findings and conclusions	
<p>The Council has maintained its overall spending within budget. It has monitored its budget and underlying assumptions during the year and taken appropriate action to deal with any deterioration in financial performance. A policy on the level and nature of reserves and balances has been approved by Members.</p> <p>The Council is currently assessed as performing adequately. This reflects the need for the Council to agree plans to address its significant budget gap and address weaknesses in the debt recovery arrangements for sundry debtors, arising from the implementation of the new system.</p>	
Improvement opportunities	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p>	<p>Formulate the Council's agreed efficiency plan for addressing the significant budget gap.</p> <p>Strengthen debt recovery arrangements, including making full use of facilities available in the new debtors system.</p> <p>Regularly review and evidence the effectiveness of recovery action, associated costs, and the cost of not recovering debt promptly for material categories of income.</p>

Internal control

Table 6

Theme score - 3	
Key findings and conclusions	
<p>The Council has continued to strengthen its internal control and governance arrangements and has been assessed as performing well. This improved assessment reflects how the Council has developed its business continuity arrangements and strengthened corporate procedures and policies for conflicts of interest and gifts and hospitality. Further improvements during 2007 have included a comprehensive review of the risk management strategy and corporate risk register.</p>	
Improvement opportunities	
KLOE 4.1 The Council manages its significant business risks.	<p>Ensure the effective implementation of revised arrangements detailed in the new risk management strategy.</p> <p>Embed arrangements for the risk management of partnerships.</p>
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	Ensure the governance arrangements of key partnerships are subject to regular review and updating.
KLOE 4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	Ensure periodic reviews of the effectiveness of the Council's whistle-blowing arrangements.

Value for money

Table 7

Theme score - 2	
Key findings and conclusions	
<p>The Council has continued to progress its approach to VFM. It has carried out a range of challenge sessions to high cost areas and this has led to a better understanding of costs and performance at officer level. A number of issues have been identified for further investigation and work and have fed the draft efficiency plans.</p> <p>There are examples of work to improve VFM and efficiency in departments including fundamental reviews of primary school provision and residential children's homes which are intended to improve VFM and reduce costs. Savings in respect of Looked after Children, Special Educational Needs and areas of Adult's services have also been achieved. The Council has agreed Efficiency targets and has met its Gershon targets. Total cumulative efficiencies of £23.958M have been secured. £8.3M was achieved in 2006/07.</p> <p>Whilst progress has been made, there are still a number of issues to address to ensure that the Council has a corporate approach to VFM. Members have still to be fully engaged with VFM issues. There is no detailed information on costs and how these compare to others and so members cannot review and challenge the quality of services achieved currently and over time. There are examples of where costs have been considered (see above), but this is not yet part of the overall corporate arrangements.</p> <p>Work on cost indicators is being developed and the intention is that this information will be included in performance and financial reports. The Council has indicated that Members will consider an overall VFM strategy in late 2007.</p>	
Improvement opportunities	
<p>KLOE 5.1 The Council currently achieves good value for money.</p>	<p>The Council needs to be in a position to be able to demonstrate that:</p> <ul style="list-style-type: none"> Overall costs and unit costs for key services demonstrate best value compared to other councils providing similar levels and standards of services and allowing for the local context; Areas of higher spending are in line with stated priorities and the investment results in improved services.

Theme score - 2	
<p>KLOE 5.2 The Council manages and improves value for money.</p>	<p>The Council needs to:</p> <p>Develop clear information on costs, including transaction costs and unit costs, and ensure that data is comparable to others and over time. Ensure that members and managers routinely use this information to review and challenge value for money throughout services and corporately.</p> <p>Ensure information on the needs of and the impact of its services, policies and strategies on different community groups is produced and used to improve VFM, outcomes and access to services.</p> <p>Develop clear policies and effective processes for reviewing and improving value for money and the scope for improving VFM is kept under review and scrutiny.</p> <p>Use this information to show improvements in VFM, particularly in priority areas in recent years.</p> <p>Evaluate the Councils use of partnerships to improve VFM. Ensure that it has an understanding of total resources at the disposal of its significant partnerships which it is using to support clearly identified outcomes.</p> <p>Continue to ensure that it uses IT to drive and enable business process change to improve VFM and ensure the clearer identification of potential benefits from investments.</p>

Conclusion

- 8 The Council's arrangements have continued to improve during the period of assessment, that is from October 2006 to March 2007. Although the overall assessment has remained the same, the assessment reflects continued improvements in Internal Control and in aspects of the Council's arrangements for financial reporting and value for money.
- 9 In order for the Council to sustain or to improve upon its current performance at the next assessment, it will need to take action in respect of the improvement opportunities referred to above. It will also need to take into account changes in the key lines of enquiry for 2008. These are considered below.

Use of resources 2008

- 10 The Commission has published its key lines of enquiry for 2008 on its website. There is an annotated version of the key lines of enquiry available which show all the changes from 2007. This should assist you in pin pointing the changes. We will be reporting our scores and findings from our 2008 assessment to you at a similar time next year. Appendix 1 includes a summary of the key changes to the assessment in 2008.
- 11 The Commission consulted on the changes to the key lines of enquiry for 2008 during April to June 2007. The Commission's response to the consultation can be found on its website. The key lines of enquiry for 2008 reflect some of the changing priorities for councils as they respond to the major challenges facing them and the higher expectations of them. Making further improvements in efficiency will be critical for councils in responding to: the changing demographic profile of communities, increasing public expectations of public services and expected constraints on funding from Government.
- 12 The key lines of enquiry give more emphasis, mainly at level 4, to areas such as: sustainability, working in partnership and using IT to secure service and value for money improvements; strategic asset management and joint procurement. These areas signal the changes which will be given more emphasis in the use of resources assessment under Comprehensive Area Assessment, the new performance framework for local services.

Appendix 1 – Changes to the UOR Key Lines of Enquiry 2008

The key changes to the assessment are summarised here.

KLOE	Level	Summary of change
Financial reporting		
1.1	2	An unqualified opinion in the published statements.
1.2	2,3	Published information is available to the public in a timely way and in accessible formats in compliance with duties under the equalities legislation.
1.2	4	The annual report or similar document includes information and analysis about a council's environmental footprint.
Financial management		
2.1	2	The impact of strategies is assessed for their impact to comply with duties under the equalities legislation in relation to race, gender and disabilities.
2.3	3	The asset management plan provides strategic and forward looking goals showing how land and buildings will be used to deliver corporate priorities. The council holds accurate information on the efficiency, effectiveness and values of assets, to support decision making on investment and disinvestment in assets.
2.3	4	Asset management and planning is fully integrated with business planning
2.3	4	Asset management is used as an enabler of change. The management of assets is integrated with other local public agencies to identify opportunities for shared use of property and to deliver cross-sector, cross-agency and community-based services to users.
2.3	4	Asset management includes challenge as to whether all assets are fit for purpose, provide value for money and deliver corporate priorities. The council rationalises its holding of property.
Financial standing		
3.1	3	The approved level of balances is adhered to; the council's financial standing is sound and supports the achievement of its long term objectives.
3.1	3	Targets for income collection and recovery of arrears stretch performance and their achievement is monitored with appropriate corrective action taken during the year to achieve the targets.
Internal control		
4.1	4	Reports which support strategic policy decisions and initiate major projects require a risk assessment which includes an appraisal of the impact on sustainable development.
4.2	3	Effective scrutiny function to ensure challenge and improve performance
4.2		'Statement of internal control' has been replaced with 'governance statement'.

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KLOE	Level	Summary of change
4.2	4	Evidence of the viability of significant contractors'/partners' business continuity plans.
4.3	2	Preparation for the role of the standards committee in local investigations and determination.
4.3	3	Publicising the work of the standards committee.
4.3	3,4	Enhanced standards for whistle blowing arrangements, demonstrating employees of contracting organisations are aware of the arrangements and staff have confidence in them.
4.3	4	Application forms have fair processing notification permitting data sharing for prevention and detection of fraud and corruption.
Value for money		
5.1	2,3,4	Descriptors for capital programming have been strengthened by including references to the outcomes of a well managed capital programme, ie projects are completed on time, to budget and deliver outcomes which are fit for purpose (and for level 4 – transform services for users and citizens).
5.2	2,3,4	Understanding unit and transaction, as well as, overall costs.
5.2	2,3,4	Data quality arrangements should be reliable (level 2) or exemplary (level 4), and including at level 4, an agreed approach with partners. Auditors will rely on the findings of the data quality audit for this descriptor.
5.2	2,3,4	The descriptor which assesses community needs and impact of decisions on diverse communities has been revised to better reflect statutory requirements on equality impact assessments. It also makes it clearer that reducing inequality in outcomes ought to be integral to a council's drive to improve VFM.
5.2	2,3,4	Demonstrating improvements in value for money by tracking performance over recent years.
5.2	2,3,4	More emphasis on stronger, longer-term, full cost evaluation, including (at levels 3 and 4) consideration of environmental and social in its assessments of costs and benefits in decision making.
5.2	2,3,4	Improving value for money through partnership working, with an understanding of resources at the disposal of partnerships and planned outcomes. There are opportunities to improve value for money (reduce costs or improve outcomes) through better partnership working. Performance reflects differing levels of engagement with partners to improve outcomes.
5.2	2,3,4	Use of ICT to improve services, value for money and access to services.