

WIRRAL COUNCIL

FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

19 MARCH 2008

REPORT OF THE DIRECTOR OF FINANCE

COMPREHENSIVE PERFORMANCE ASSESSMENT (CPA) 2007 - USE OF RESOURCES

1. EXECUTIVE SUMMARY

- 1.1. This report provides details of the Audit Commission 2007 Comprehensive Performance Assessment Use of Resources judgement for Wirral. The report also explains the changes to the 2008 assessment criteria and details the action plan produced to achieve further improvement in the future. It was agreed by the Cabinet on 7 February 2008.

2. BACKGROUND

- 2.1 First introduced in December 2002 the Comprehensive Performance Assessment (CPA) focused on achievements and outcomes rather than the processes involved. The overall CPA assessment for the Authority is based upon a series of separate assessments undertaken by the Audit Commission. A Corporate Assessment is undertaken on a triennial basis. There are also a number of service assessments, which are undertaken on an annual basis, as is the Use of Resources assessment.
- 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. The focus is on links between sound finances, strong management and good performance, which means examining the overarching financial and performance management framework rather than individual service areas. There is an emphasis throughout the Use of Resources assessment process on good practice, which can be evidenced as having been embedded throughout the organisation.
- 2.3 The Use of Resources assessment consists of a judgement made over five themes of financial activity known as key lines of enquiry. There are a series of separate criteria within each level for which compliance has to be evidenced of which a large number have essential status. Failure to meet one of these essential criteria will result in automatic failure to achieve that particular level. The five themes are listed in the table.

Theme	Key Line of Enquiry
1	Financial reporting
2	Financial management
3	Financial standing
4	Internal control
5	Value for money

2.4 The Use of Resources score is based upon a standard scale as follows:

Score	Standard Scale
1	Inadequate Performance
2	Adequate Performance
3	Performing Well
4	Performing Strongly

2.5. There are a number of sub components within the five themes, which are also awarded scores using the standard scale. An overall Use of Resources score is then determined from the theme scores.

2.6 The current CPA assessment process involves what the Audit Commission describes as 'A Harder Test'. Each year the criteria are revised and further additional essential criteria are introduced so that authorities must show improvement in order to remain at their existing score.

3. **USE OF RESOURCES 2007**

3.1 The Audit Commission announced in December 2007 that Wirral scored 2 for Use of Resources in 2007 which equates to an 'adequate performance'. The report from the Audit Commission notes that there have been improvements within a number of key areas.

3.2 The judgements for 2005 and 2006 also produced an overall score of 2 and the 2007 result has again showed the continuing year on year trend of improvements within the theme scores. The 2006 assessment was reported to Cabinet on 24 January 2007. The 2006 assessment contains no scores below 2 and two scores of 3 within the themes. The 2007 assessment also has no scores below 2 within the individual themes. There is an additional score of 3 within the internal control block and the overall internal control score has improved from a score of 2 to a 3. It should be noted that in accordance with the Audit Commission framework for continuous improvement, the latest assessment involved 'A Harder Test' compared to the previous year. The scores have therefore improved at a time when the standard required to stand still has risen.

3.3 A full comparison illustrating the scale of the improvement is shown below:-

Summary of scores at theme and KLOE level

	Score 2006	Score 2007
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 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 performances 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	2	3
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 the business	2	3
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

3.4 The Audit Commission recognises the improvements made in each of the themes:-

(a) Financial Reporting

The Audit Commission acknowledges that the Council has continued to improve its year end financial reporting requirements. The Statement of Accounts processes for 2006/07 included improved qualitative review and working papers. Members received an explanatory presentation on the accounts and a summary leaflet was produced and made available on the intranet and at contact points. Despite significant regulatory changes to the Statement of Accounts formats, the accounts were presented prior to the statutory deadline of 30 June 2007 and received an unqualified Audit opinion.

(b) Financial Management

The Medium Term Financial Strategy was further developed in 2006/07 with good communication of key messages. The Authority also began to develop a revised Corporate Plan, strengthened arrangements for the risk assessment of partnerships, updated the capital strategy and asset management plan. The Audit Commission has also stated that the Authority 'generally has good financial management arrangements.'

(c) Financial Standing

The Authority maintained overall spending within budget. The Audit Commission states that during 2006/07 the Authority monitored budgets and where necessary took necessary action to deal with any issues. Members also agreed policies on the levels and use of reserves and balances.

(d) Internal Control

The Authority has been assessed as performing well within this theme. Improvements within the year include improvements to the internal control and governance arrangements, strengthened corporate procedures and policies for conflicts of interest and gifts and hospitality and the revision of the risk management strategy and the corporate risk register.

(e) Value For Money (VFM)

The Authority has continued to progress in its approach to VFM. A number of challenge sessions were undertaken on high cost areas and issues identified for further investigation. There were good examples of work to improve VFM in departments including fundamental reviews of primary school provision and residential children's homes. The Authority also met its 'Gershon' annual efficiency target.

3.5 The Audit Commission report details areas where opportunities exist for improvement. These areas are highlighted in paragraph 5.2 of this report and an action plan to address these issues is attached as Appendix A.

4. **USE OF RESOURCES 2008**

4.1 The annual assessment for 2008 will again be 'A Harder Test' as it will include further criteria which now become essential to meet in order to achieve either level 2 or 3. These are either new or were previously not essential.

- 4.2 Scores at a particular level can only be achieved if all essential criteria for that level can be demonstrated as having been achieved and can be shown to be embedded throughout the organisation. Thus to score a level 3 all essential criteria for levels 2 and 3 have to be met
- 4.3 The areas with increased emphasis for essential criteria within the assessment include:-
- a. 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)
 - b. Financial Management
 - Equality impact assessments are made in relation to Council strategies and how these and budgetary decisions affect communities (Level 2)
 - 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)
 - Asset management includes challenge as to whether all assets are fit for purpose, provide value for money and deliver corporate priorities and the Council rationalises its holding of property (Level 4)
 - c. Financial Standing
 - Challenging targets for actively managing income collection and arrears recovery are set and monitored. Where appropriate corrective action is taken to achieve targets. (Level 3)
 - The approved level of balances is adhered to, the financial standing is sound and supports the achievement of long term objectives (Level 3)
 - d. Internal Control
 - Reports in support of strategic policy decisions, and to initiate major projects include a risk assessment, which includes an appraisal on the impact of sustainable development. (Level 3)
 - Effective scrutiny function to ensure challenge and improve performance (Level 3)
 - Standards Committee decisions communicated openly to the wider public. (Level 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 (Level 4)

e. Value For Money

- Capital programme descriptors improved with focus on outcomes as well as costs and completion dates (Levels 2,3,4)
- Data Quality standards are in place (Levels 2,3 and 4)
- Assessment of impact of decisions and VFM on community groups is improved and reducing inequality is shown to be integral to the drive to improve VFM (Levels 2,3,4)
- Tracking of VFM improvements over years (Levels 2,3,4)
- Improving VFM through partnership working (Levels 2,3,4)
- Use of ICT to improve access and VFM of services (Levels 2,3,4)

4.4 The Authority is already meeting some of the additional requirements for the harder test and the action plan produced aims to ensure full coverage of the Use of Resources criteria required to meet a level three standard. With the exception of the financial reporting theme, the Audit Commission assessment for 2008 will be based on outcomes and procedures in place and embedded by 31 March 2008. The financial reporting theme will be judged upon the financial accounts to be presented to the Audit and Risk Management Committee in June 2008 and the subsequent audit finalised in September 2008. There is therefore a very limited timeframe for reacting to and implementing any suggested actions from the Audit Commission 2007 Use of Resources report.

5. USE OF RESOURCES ACTION PLAN

5.1 Based upon the comments of the Audit Commission in the report on the 2007 assessment, the proposals for 2008 and officers observations of areas for improvement, an action plan to secure improvements in the most significant areas required to progress to an overall level three score has been produced. The main issues are highlighted in the following sections.

5.2 Whilst issues raised by the Audit Commission are being addressed as part of the continuous improvement to services under the annual service planning process these are included within the comprehensive action plan. The plan is a 'live document' which continues to be developed and reviewed and is based around general themes:-

a. Financial Reporting

Build on continued improvements to the quality of the annual Statement of Accounts including strengthened qualitative reviews and guidance; further consultation with stakeholders regarding format of information and further development of internet content and publish an annual report or similar document containing summary accounts.

b. Financial Management

Finalise the Corporate Plan and ensure it drives the Medium Term Financial Strategy (MTFS) and resource allocation. Finalise the Efficiency Plan. In the context of the agreed Corporate and Efficiency Plans, develop the MTFS and link to the resource implications of other strategies. Fully embed arrangements for reviewing the performance of significant partnerships. Report annually to Members on the performance of the property portfolio, develop performance indicators to evaluate asset use in relation to corporate objectives (although flagged as an improvement area in 2007 by the Audit Commission this requirement is no longer part of the 2008 assessment criteria), ensure the Asset Management plan is kept up to date and existing reporting on backlog maintenance is developed.

c. Financial Standing

Formulate agreed efficiency plan. Regularly review and evidence effectiveness of recovery action, associated costs and costs of non recovery of debt.

d. Internal Control

Embedding of risk management strategy arrangements throughout the organisation and in relation to partnerships. Ensure governance arrangements of key partnerships are subject to regular review and whistle blowing arrangements are periodically reviewed.

e. Value For Money (VFM)

To establish procedures for analysing and reporting that overall costs and unit costs for key services provide best value compared to similar authorities. Demonstrate that where costs are high these are in accordance with policy criteria and result in improved services. Clear information on unit and transaction costs are ascertained and used by managers to challenge VFM. VFM improvements developed through policies and effective practices and constant review. Evaluate use of partnerships to produce VFM.

6. FINANCIAL AND STAFFING IMPLICATIONS

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

7. EQUAL OPPORTUNITIES IMPLICATIONS

7.1 There are none arising directly from this report.

8. HUMAN RIGHTS IMPLICATIONS

8.1 There are none arising directly from this report.

9. LOCAL AGENDA 21 IMPLICATIONS

9.1 There are none arising directly from this report.

10. COMMUNITY SAFETY IMPLICATIONS

10.1 There are none arising directly from this report.

11. PLANNING IMPLICATIONS

11.1 There are none arising directly from this report.

12. LOCAL MEMBER SUPPORT IMPLICATIONS

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

13. BACKGROUND PAPERS

13.1 Audit Commission Use of Resources Auditor Judgements – December 2007.

14. RECOMMENDATIONS

14.1 That the 2007 Use of Resources assessment be noted.

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

IAN COLEMAN
DIRECTOR OF FINANCE