

# Annual Audit and Inspection Letter

Wirral MBC

Audit 2007/08

March 2009



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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Key messages

- 1 Wirral Council has improved its final assessment under CPA and is assessed as three star and improving well. Good overall progress is being made against local priorities. The Council has significantly improved levels of recycling and cleanliness. Good progress is also being made to regenerate the area and the Council has been successful in attracting and supporting new business in the borough.
- 2 Educational attainment continues to improve and youth sport and leisure activities are contributing to reduced levels of anti-social behaviour. Crime is reducing in most areas. The Council has a good understanding of the different needs of its communities, and is effectively managing and improving access to its services. Areas for improvement include getting young people into education, employment or training and homelessness prevention.
- 3 Challenges remain around the number of older people who are supported to live at home and although action has been taken to reduce teenage conceptions, current rates are still significantly above local targets.
- 4 The Council continues to develop its capacity for future delivery and has improved its arrangements for managing its resources. Ambitions and priorities for the area have been clarified and performance management arrangements are being strengthened. The Council has improved the way in which it manages its financial resources and is making good progress in delivering overall cost efficiencies.
- 5 Our work on Use of Resources concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008 but further improvements could be made. Improvement areas identified as weaknesses in last years audit letter have progressed including financial management, financial standing, strategic workforce development and asset management. Challenges remain to improve the understanding of cost data and its use in challenging comparative performance on value for money; sickness absence, and, the use of information technology in driving the efficiency agenda.
- 6 Unqualified audit opinions were issued on both the Council's and the Merseyside Pension Fund financial statements in September 2008. The accounts were subject to some amendments but where on the whole well prepared and supported by good working papers.
- 7 During 2007/08 we carried out a number of risk based reviews across the Merseyside area including democratic arrangements, data quality, health inequalities, community cohesion, and waste management. Whilst the Council generally performs well there are a number of strategic challenges that remain for both the Council and its partners.
- 8 The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). During 2009 CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there.

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### Action needed by the Council

- 9 The Council and its partners need to continue to strengthen and review the delivery capacity and performance management arrangements of the local strategic partnership in order to meet the outcomes identified in the Sustainable Community Strategy, Local Area Agreement and to respond to the recommendations identified in our reviews of health inequalities, community cohesion, and waste management.
- 10 Reporting of performance at both the LSP and within the Council needs further improvement in terms of clearer focus on key issues, performance against target and the action that is specifically being taken to address areas of underperformance.
- 11 The Council and its partners need to accelerate proposals to develop services around alcohol harm as the rate of hospital stays related to alcohol in Wirral is now the second worst in the country.
- 12 The Council needs to further strengthen arrangements for safeguarding children and young people. Work is on-going but has not yet had an impact. Ofsted have judged current arrangements as 'adequate'.
- 13 Ensure that the Council strengthens its arrangements for improving value for money by:
  - developing clear information on costs;
  - ensuring that members and managers use cost and performance information in a consistent way to challenge and monitor VFM; and
  - ensuring that the Council has sufficient capacity to effectively deliver the programme of corporate and service reviews for 2009 and beyond.

# Purpose, responsibilities and scope

- 14** This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 15** We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 16** This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). (In addition, the Council is planning to publish it on its website.)
- 17** As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
- the Council's accounts;
  - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
  - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 18** This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 19** We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

# How is Wirral Council performing?

**20** The Audit Commission's overall judgement is that Wirral Borough Council is improving well and we have classified the Council as three star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

**Figure 1 Overall performance of councils in CPA**



Percentage figures may not add up to 100 per cent due to rounding

Source: Audit Commission

## How is Wirral Council performing?

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### Our overall assessment - the CPA scorecard

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**Table 1 CPA scorecard**

<b>Element</b>	<b>Assessment</b>
Direction of Travel judgement	Improving well
<b>Overall</b>	<b>3 star</b>
Corporate assessment/capacity to improve	2 out of 4
Current performance	
Children and young people*	3 out of 4
Social care (adults)*	3 out of 4
Use of resources*	3 out of 4
Housing	3 out of 4
Environment	3 out of 4
Culture	2 out of 4
Benefits	4 out of 4

(Note: \* these aspects have a greater influence on the overall CPA score)  
(1 = lowest, 4 = highest)

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### The improvement since last year - our Direction of Travel report

- 21** In this section we comment on the Council's overall direction of travel, and the progress it is making against its overall priorities. Our overall conclusion is that the Council is improving well.
- 22** Good overall progress is being made against local priorities. The Council has significantly improved levels of recycling and cleanliness. Good progress is also being made to regenerate the area and the Council has been successful in attracting and supporting new business in the borough. Educational attainment continues to improve and youth sport and leisure activities are contributing to reduced levels of anti-social behaviour. Crime is reducing in most areas. The Council has a good understanding of the different needs of its communities, and is effectively managing and improving access to its services. Areas for improvement include getting young people into education, employment or training and homelessness prevention.
- 23** The Council continues to develop its capacity for future delivery and has improved its arrangements for managing its resources. Ambitions and priorities for the area have been clarified and performance management arrangements are being strengthened. The Council has improved the way in which it manages its financial resources and is making good progress in delivering overall cost efficiencies.

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### What evidence is there of the Council improving outcomes?

#### To raise the aspirations of young people

- 24** Improvement against this priority area is particularly strong. Levels of educational attainment in the borough are good and improving, and some excellent work is being done by the Council and its partners around youth sport and leisure to promote positive attitudes and behaviour. The Council's services for children and young people have retained their overall rating of 'good', but action to further strengthen arrangements for safeguarding children and young people has not yet had an impact and arrangements remain assessed as 'adequate'.

#### To create more jobs, achieve a prosperous economy and regenerate Wirral

- 25** Improvement against this priority area is good. The Council and its partners have been successful in attracting and supporting new business in the borough, and strategic frameworks for driving economic regeneration and tackling worklessness are now in place. However, whilst action to reduce the number of young people not in education, employment or training (NEETs) is having some impact, performance in this area is currently below local targets.

#### To create a clean, pleasant, safe and sustainable environment

- 26** Improvement against this priority area is good. The Council is demonstrating considerable community leadership in championing environmental sustainability, and is continuing to invest to ensure it maintains a high profile. Improvements in recycling rates and standards of cleanliness within the borough are also being maintained. Good progress has generally been made in reducing crime and anti-social behaviour, but the Council and its partners are not yet achieving their targets relating to the incidence of serious violent crime and road safety remains an area of concern. The Council and its partners are effective in balancing the borough's housing market and responding to the needs of homeless people. However, work to prevent homelessness has not yet delivered improvements.

#### To improve health and well being for all, ensuring people who require support are full participants in mainstream society

- 27** Improvement against this priority area is mixed. The Council's adult and social care services have retained their overall rating of 'good' from the Commission for Social Care Inspection, and work is underway to deliver improvements. This has started to have a positive impact, for example in terms of the delivery of community equipment and the number of adults with mental health problems who are helped to live at home. However, challenges remain around the number of older people who are supported to live at home.
- 28** Although action has been taken to reduce teenage conceptions, current rates are still significantly above local targets. The Council and its partners also need to accelerate proposals to develop services around alcohol harm as the rate of hospital stays related to alcohol in Wirral is now the second worst in the country.



## How is Wirral Council performing?

### Community Engagement

- 29** The Council has a good understanding of the different needs of its communities, and is effectively managing and improving access to its services. Access to Services is good and diversity and equality issues in both the provision of services and employment practice are continuing to be addressed proactively. Building on its good track record of engaging local people in decision-making processes, the Council has taken steps this year to empower the community through a pilot of participatory budgeting in two of its area forums and the introduction of the 'You Decide' initiative.

### Value for Money

- 30** The Council has improved the way in which it manages its financial resources and is making good progress in delivering overall cost efficiencies. Value for money is generally being achieved in that costs are broadly commensurate with the range, level and quality of services being provided. Work is on-going to ensure a robust value for money culture is established in all service areas.

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## How much progress is being made to implement improvement plans to sustain further improvement?

- 31** In overall terms, the capacity of the Council for sustaining improvements is developing well. A coherent planning framework is being put in place, and work is underway to develop capacity both within the local partnership and the Council. Arrangements for performance management, sickness absence and ensuring the benefits of ICT investment are being strengthened.
- 32** A coherent framework for planning and delivering local improvements is being put in place. Over the past year, the Council and its partners have made good use of intelligence and adopted a robust and systematic approach to identify local priorities. These are embedded in the sustainable community strategy which is to be formally adopted in March 2009. Fully aligned to the sustainable community strategy, the Council's corporate plan for 2008/13 provides a clear and concise statement of its medium term vision and priorities. Action is continuing to be taken to ensure that these are consistently reflected and supported by business plans at service level. Measurable targets still need to be defined for all performance indicators to enable fully effective performance management.
- 33** Action is being taken to further strengthen the capacity of the local partnership for delivery. The overall structure of the partnership, together with governance arrangements and accountabilities, are being reviewed and revised to ensure that the Council and its partners remain focused on local priorities. There are areas to develop such as arrangements to ensure the quality and availability of shared data for ongoing performance management.

- 34** The Council is making progress in strengthening its own performance management arrangements. The corporate improvement and performance management groups are helping to co-ordinate the Council's business and arrangements for reporting to Members is to be improved. Reports have been revised to cover both finance and all aspects of performance but there are areas for improvement in terms of clearer focus on key issues, performance against target and the action that is specifically being taken to address areas of underperformance.
- 35** The Council is strengthening its strategic arrangements for developing its workforce in line with current and future business needs. A corporate leadership programme is underway, and work is being undertaken to ensure workforce planning is more closely aligned to the business planning process for 2009/10. As part of this, an on-line tool is being introduced to help identify skills gaps and a new People Strategy is being developed for 2009. However, the Council is already making good progress in strengthening its capacity in priority areas such as asset management.
- 36** More work needs to be done to ensure optimal use is made of staff. For example, the Council did not meet its target for reducing sickness absence in 2007/08 and rates remain higher than other authorities. The Council has investigated the reasons for this and is now considering measures to ensure that policies and procedures are more consistently implemented. Additionally, whilst some important developments are taking place around information technology (IT) at the Council, this is not yet driving efficiency in all service areas.

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**Service inspections and assessments**

- 37** The CPA score is made up of a number of service assessments made by the Audit Commission and other inspectorates. We also carried out an inspection of Access to Services in the year.

**Assessments from the Audit Commission**

- 38** The housing, environment, culture and use of resources scores are assessed by the Audit Commission.

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**Table 2 Assessments from the Audit Commission**

Wirral Borough Council receives a number of assessments from the Audit Commission that contribute to the CPA score for 2008

<p><b>Housing</b> - The Council's performance in 'community housing' and, where applicable, 'housing management' services, are assessed by the Audit Commission. The score is based on two sets of indicators 'housing the community' and 'managing housing' performance indicators, such as time in temporary accommodation and homelessness, and the 2007 inspection report 'Strategic approach to housing'.</p>	<p>Wirral Borough Council scored 3 (out of 4) in the performance information element in the 2008 'housing the community' assessment. This is the same as last year. As the Council is no longer a landlord it has not been assessed for 'managing housing'.</p>
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## How is Wirral Council performing?

<p><b>Environment</b> - The Council's performance in services, such as transport, planning and waste, as assessed by the Audit Commission.</p> <p>The assessment is based on environmental performance indicators.</p>	<p>Wirral Borough Council scored 3 (out of 4) in the performance element in the 2008 service assessment. This represents an increase from the score of 2 last year.</p>
<p><b>Culture</b> - The Council's performance in services, such as libraries and leisure, are assessed by the Audit Commission.</p> <p>The assessment is based on a small number of cultural services performance indicators.</p>	<p>Wirral Borough Council scored 2 (out of 4) in the performance information element in the 2008 culture service assessment. This represents a reduction from the score of 3 last year.</p>
<p><b>Benefits</b> - The Council's performance in providing housing and council tax benefit services as assessed by the Audit Commission and is based primarily on achievement against housing benefits/council tax benefits performance standards.</p>	<p>Wirral Council scored 3.79 (rounded to 4) out of 4 in the performance information element in the 2008 benefits service assessment. This is the same as last year.</p>
<p><b>Use of resources</b> - The Audit Commission review the Council's performance in financial reporting, financial management, financial standing, internal control and value for money.</p>	<p>Wirral Borough Council scored 3 (out of 4) in the 2008 use of resources assessment. This represents an increase from the score of 2 last year. More detail is provided later in this letter.</p>

### Access to services inspection

- 39** During the year we carried out an inspection of access to services. We assessed Wirral Metropolitan Borough Council as providing good, two-star access to services that has promising prospects for improvement.
- 40** The Council provides good access to services because it has a number of strengths including:
- a planned and strategic approach to designing and providing access to services that are considered in service planning;
  - a good understanding of the diverse needs of users;
  - accessible and responsive services that address specific community needs;
  - a wide range of methods to engage with local people and other stakeholders;
  - a proactive focus on diversity and equalities in service delivery; and
  - good use of partnerships to provide access to seamless services that are helping to improve the quality of life for local people.

### 41 Areas for further development include:

- telephone contact with the Council is generally limited to office hours with no evening or weekend service except for emergencies;
- the number of abandoned enquiries to the call centre is high;
- not all public buildings are accessible to, and suitable for, people with a disability;
- inconsistencies in service standards and the extent to which users are involved in defining them; and
- sharing of information is not systematic across all council services to provide comprehensive profiles about users and non-users.

### 42 Access to services has promising prospects for improvement because:

- the Council has improved access to a range of services for users to meet their diverse needs;
- progress on implementing diversity and equalities policies is positive;
- value for money has improved in terms of accessing a range of services;
- plans are in place and resourced to further improve access to services for users in accordance with their needs and preferences;
- effective arrangements and an appropriate culture are in place to support continuous improvement in accessing services;
- the Council learns from its own experiences and users' feedback; and
- overall the Council has the capacity to deliver service improvements, including working with community, private and voluntary sector partners.

### 43 Areas for further development include:

- integrating and consolidating action plans and other strategies to further improve access to services within the Customer Access Strategy;
- obtaining feedback from non-users and assessing satisfaction levels across communities to further inform service delivery;
- wider application of a customer relationship management system to support frontline services;
- monitoring and reporting performance against individual service standards; and
- evaluating the costs and benefits of each of the Council's own access channels.

### Assessments from other inspectorates

44 An important aspect of the role of the Comprehensive Area Assessment Lead (CAAL) is to work with other inspectorates and regulators who also review and report on the Council's performance. CAALs share information and seek to provide 'joined up' regulation to the Council. During the last year, the Council has received the following assessments from other inspectorates.

## How is Wirral Council performing?

### Table 3 Assessments from other inspectorates

Wirral Borough Council receives a number of assessments from other inspectorates that contribute to the CPA score for 2008

<p><b>Children and young people</b> - The Council's performance in providing children's services, such as children's education and social care. The joint assessment is made by the Commission for Social Care Inspection and Ofsted following a review of the Council's overall performance and key indicators.</p>	<p>Wirral Council scored 3 (out of 4) in the 2008 children and young people's assessment which is the same as last year.</p> <p>The joint assessment concluded that the Council delivers services for children and young people that are above minimum requirements overall. The Council's capacity to improve, including its management of services, is good. Overall, the Council has made good progress in responding to the recommendations made in 2007.</p>
<p><b>Social care (adults)</b> - The Council's performance in adult social care services. The assessment is made by the Commission for Social Care Inspection following a review of the Council's overall performance and key indicators.</p>	<p>Wirral Council scored 3 (out of 4) in the 2008 adult social care assessment which is the same as last year. The performance judgements for Wirral were as follows:</p> <ul style="list-style-type: none"><li>• Delivering outcomes: Good</li><li>• Capacity for improvement: Promising</li></ul> <p>The adult social care services performance rating by CSCI was 2 stars.</p>

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# The audit of the accounts and value for money

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## Audit of the accounts

- 45** As your appointed auditor I have reported separately to the Audit and Risk Management Committee in the Annual Governance Report (AGR) on the issues arising from our 2007/08 audit and have issued:
- my audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate. This was issued on 30 September 2008 and
  - my report on the Best Value Performance Plan confirming that the Plan has been audited was issued in December 2007.
  - I also issued my report on the Council's Whole of Government Accounts on 20 November 2008
- 46** The financial statements submitted for audit were complete although they contained some errors. During the audit, management agreed to 5 adjustments to the figures in the accounts that we recommended and also made amendments to some notes to the accounts. The more significant issues included a material adjustment of £9.465m to the prior year figure for tangible fixed assets and a note to explain the treatment of an increase of £9m in the estimate of pension fund assets that we agreed should not be amended. In total the adjustments had no overall impact on revenue resources.
- 47** The arrangements for production of your financial statements are satisfactory. The draft financial statements were produced by the target date and the working papers to support the financial statements were good. This has also been a year when new and more complex accounting and reporting arrangements have been introduced, for example, the introduction of the new revaluation reserve, accounting for financial instruments and the new Annual Governance Statement. The Council has introduced these new requirements successfully whilst also improving on issues raised last year.
- 48** We made recommendations for some further improvement in the accuracy of the statements, quality assurance processes and internal control across the Council. The agreed action plan from the 2007/08 AGR is being monitored by the Audit and Risk Management Committee and we are monitoring the progress of closedown plans for the 2008/09 statements. .

## The audit of the accounts and value for money

### Use of Resources

49 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.

- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
- Financial management (including how financial management is integrated with strategy to support council priorities).
- Financial standing (including the strength of the Council's financial position).
- Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
- Value for money (including an assessment of how well the Council balances the costs and quality of its services).

50 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

**Table 4**

<b>Element</b>	<b>Assessment</b>
Financial reporting	2 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	2 out of 4
<b>Overall assessment of the Audit Commission</b>	<b>3 out of 4</b>

Note: 1 – lowest, 4 = highest

51 The Council's performance demonstrates significant improvement in the use of resources during the period of assessment from April 2007 to March 2008. The overall assessment has improved in two out of the five themes - financial management and financial standing moved from scores of 2 to level 3. Financial reporting and value for money remained at level 2, although there were notable improvements in arrangements in both areas. The overall assessment has increased from 2 out of 4 to 3 out of 4 representing an assessment of 'performing well'.

### Financial reporting (2 out of 4)

- 52** The Council produces annual accounts generally in accordance with relevant standards and scored 2 for this element of financial reporting. The financial statements submitted for audit contained some errors. However, the adjustments had no overall impact on revenue resources and we issued an unqualified opinion. The arrangements for production of the financial statements were good. We made recommendations for some further improvement in quality assurance processes and internal control across the Council. There is also scope for further training for members and more prompt reporting to ensure that the statements are subject to robust scrutiny prior to approval.
- 53** The Council promotes external accountability well and scored 3 for this element of financial reporting. The accounts and local electors' rights to view them and contact the external auditor were published in line with requirements. Key external reports as well as the Council's own reports, minutes and agenda are available to the public. A leaflet summarising the accounts has been produced and distributed and an Annual Report was published in November 2008.

### Financial management (3 out of 4)

- 54** The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities and scored 3 for this element of financial management.
- 55** The Council manages performance against budgets and scored 3 for this element of financial management. Sound arrangements are in place for monitoring and reporting performance against budgets. There were no material overspends in 2007/08 and those that did occur were expected and managed within the Council's overall resources. Financial information systems are appropriate for managing performance against budgets.
- 56** The Council manages its asset base adequately and scored 2 for this element of financial management. The Capital Strategy and guidance were kept up to date and approved by Cabinet during the year and again in July 2008 when they were updated in line with the new corporate priorities. The Capital Strategy is also better linked to the updated MTFP and Asset Management Plan (AMP) and is based on an up to date asset register as well as taking into account planned maintenance. The Council has a designated property function and is strengthening capacity with the reorganisation of asset management under a new director and head of assets. The strategic asset review is now largely complete, members have confirmed their decisions and implementation will take place over the next few years.



## The audit of the accounts and value for money

### Financial standing (3 out of 4)

- 57** Current spending plans match available resources, although like other councils, Wirral continually faces significant challenges to close the budget gap and meet efficiency plans. The Council has a track record of setting a balanced budget and maintaining spending within the budget without significant unexpected overspends or underspends. Income collection is monitored throughout the year to achieve targets and debt recovery is effective. Wirral has invested £2m with an Icelandic bank but as the exposure is low and reserves and balances are prudent it does not indicate poor financial standing or financial management.
- 58** The Council has recently agreed a net revenue budget of £311m and capital programme of £80m for 2009/10. It is expected that balances will be maintained at a minimum of £6m. The latest projections for the 2008/09 financial year continue to highlight the anticipated overspending in adult social services and indicate that overall the general fund balance would be around £6m.

### Internal control (3 out of 4)

- 59** The Council manages its significant business risks well and scored 3 for this element of internal control. During the year it has strengthened risk management and built on sound arrangements to improve reporting to members both at portfolio and at corporate level.
- 60** The Council has good arrangements in place to maintain a sound system of internal control and scored 3 for this element. It has recognised the importance of the new Annual Governance Statement and taken corporate responsibility in its development and approval. The operation of the Audit Committee is improving, Internal Audit meets the Chartered Institute of Public Finance and Accountancy (CIPFA) standards and scrutiny is effective.
- 61** The Council has adequate arrangements in place to promote and ensure probity and propriety in the conduct of its business and scored 2 for this element of internal control. However, during the year the Audit Commission received a Public Interest Disclosure Act referral in respect of an individual's concerns about contracts and charging in adult social services. Our review found the individual's concerns may be largely justified and we have therefore raised concerns about the failure of the Council's own systems for dealing with complaints and concerns, including the whistleblowing procedure. The Council is currently following up our report and we will report the outcome separately.

### Value for money (2 out of 4)

- 62** Compared with nearest neighbour councils particularly, the cost in Wirral of education, adult social care, housing and benefits are top quartile, performance in services is generally average with some areas of good performance and satisfaction levels are average in most areas. Spending is generally in line with priorities with one significant area of unintended high spending in adult social care. The capital programme is well managed but there are some areas for improvement. There have been some positive improvements to processes aimed at delivering VFM but actions such as the review of VFM profiles are still ongoing into 2008/09 and have not yet delivered improvements in VFM. The VFM review has subsequently been reported to Cabinet in September 2008.

**63** Understanding of costs continues to improve but unit costs are under developed and best practice approaches are not consistently extended across the Council. Wirral compares its costs with other councils using the high level VFM profile data but understanding of detailed costs is less well developed and the challenge on costs needs to be extended to other services.

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### Democratic arrangements

**64** During the year we reported on our review of the effectiveness and efficiency of the Council's current democratic arrangements.

**65** The Council has put in place a number of arrangements that have improved the effectiveness and efficiency of its democratic arrangements over the past 18 months. The Council has made steady progress and has addressed many of the issues raised by the corporate assessment in 2005.

- Roles and responsibilities of both the executive and scrutiny functions of the Council are clearer and a structured member development programme to support members in their scrutiny role has been put in place.
- The Council has taken steps to reduce the number of reports submitted to cabinet by establishing a virtual committee. It has also introduced a limited scheme of delegation to executive members to improve the effectiveness of the cabinet.
- Decision-making at cabinet is more transparent and members can access information easily.
- Scrutiny committees have introduced a formal cycle of financial and performance reporting. This has made it easier for members to review the Council's performance.
- Scrutiny committees have developed clearer work programmes and are becoming more focused.

**66** However, there are a number of areas for the Council to develop further.

- The Council's current arrangements place a significant demand on senior officer time. The number of scrutiny committees and executive portfolios that senior officers need to service, means that they often spend a considerable amount of time in meetings or briefings.
- New members and chairs of scrutiny have not yet received training for their new roles. Members felt that they required more support in their roles, such as performance management and that training should be ongoing.
- The number of items considered by cabinet has not reduced significantly and there remains scope for further improving its efficiency and effectiveness, through increased use of the virtual committee and the expansion of the scheme of delegation to portfolio holders.
- The remit of scrutiny committees is not always clear, and there is duplication between different committees, with often several different committees reviewing the same performance information.

## The audit of the accounts and value for money

**67** The Audit and Risk Management Committee received an update to the action plan at the January 2009 meeting which confirmed that actions are progressing. The Cabinet meeting on 19 March 2009 resolved to support the proposal, subject to further consultation, to move to five overview and scrutiny committees, based on the Council's corporate priorities.

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### Community Cohesion

**68** As part of the audit for 2007/08 we completed work across the Local Strategic Partnerships (LSPs) in Merseyside and Cheshire to assess the arrangements in place to address community cohesion. We evaluated how well public authorities understand the differing needs of their communities and how services are being shaped to respond to those needs.

**69** The Wirral Local Strategic Partnership has a good understanding of local cohesion issues. The key cohesion issues identified by partners were:

- safer communities;
- inequalities and competition;
- isolation and participation; and
- coping with change.

**70** Partners share a commitment to developing cohesive communities but there is no overarching community cohesion strategy to guide partnership work. The definition of community cohesion used by partners varies and is broadly drawn; this may mean that partners have difficulty in determining the priorities they need to address. Leadership for community cohesion is under developed at a partnership and strategic level.

**71** Partner capacity to support cohesion is being developed through the Wirral Equalities Forum (WEF) and the newly merged Voluntary Community Action Wirral (VCAW). The LSP is committed to strengthening its community engagement and further explore joint community engagement activities through the development of a Comprehensive Engagement Strategy. Together, this range of activity will enable the LSP and its partners to become better engaged with under represented groups and increase partner's knowledge of the problems they encounter.

**72** Partners have identified potential risks which could contribute to a lack of community cohesion but there is no evidence that the partnership manages these risks in a structured way. A number of indicators to measure cohesion are in place but these are not integrated across strategies and so do not provide a coherent framework for addressing key issues and risks.

- 73** Achievements in developing cohesive communities include good progress in engaging with specific hard to hear groups, and increasing economic activity. Challenges for the future include:
- ensuring leadership and partner commitment to developing cohesive communities is visible and sustained and that myths and rumours are challenged;
  - prioritising key issues and actions to improve community cohesion;
  - ensuring best use of partner resources; and
  - measuring success and managing risks effectively.
- 74** The Local Strategic Partnership is taking forward the action plan.

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### Health inequalities

- 75** As part of our 2007/08 audit, we carried out a high level review across Cheshire and Merseyside to identify the main issues facing the Local Strategic Partnerships (LSPs) in addressing health inequalities.
- 76** Wirral LSP demonstrates a number of key strengths. There are also opportunities for development which are broadly consistent with other LSPs in Cheshire and Merseyside.
- 77** There is a genuine commitment to addressing health inequalities through partnership working, and good use is being made of available data to identify priorities for action. Extending arrangements which allow partners to share local intelligence would build on this approach, helping Wirral LSP to further target its work whilst optimising its resources. This is an area where the Partnership could potentially benefit from the experiences of other LSPs, notably Halton and St Helens.
- 78** However, and in common with most other LSPs, Wirral LSP does not have a strategy specifically to reduce health inequalities. Such a strategy could provide an effective framework for
- considering and addressing the many factors which contribute to health inequalities in the Borough in a systematic and co-ordinated way; and
  - longer term financial planning, including decisions over pooling resources.
- 79** More work also needs to be done to allow the LSP to routinely evaluate the success and impact of its work.
- 80** The LSP is taking forward the action plan.

### Data quality

- 81** The Council's overall management arrangements for ensuring data quality are adequate. Some action has been taken since last year to strengthen arrangements for data quality. Most notably, the Council has implemented a formal policy which now provides a sound foundation for promoting greater corporate ownership of data quality. Like all new policies, this now needs time to become properly established within the organisation in order for the Council to fully realise the benefits. Nevertheless, the Council could progress this by, for example, strengthening its approach to following up issues arising from internal reviews through action planning and training. Our review has also indicated that there may be scope for more effective use to be made of information technology in calculating indicators. This, in turn, may help the Council to improve the timeliness of its performance reports to Cabinet and overview and scrutiny committees. More work also needs to be done to establish data quality arrangements to support partnership working.
- 82** We carried out in-depth reviews of a number of performance indicators and concluded that with the exception of one indicator, arrangements to secure data quality are delivering accurate, timely and accessible information in practice. Our review of one indicator, BVPI 8 (percentages of invoices paid on time), found that the Council had not followed the correct definition of the indicator. As a result, some data which should have been included in the calculation was not, and vice versa. We were therefore unable to certify that the PI was fairly stated. Action is being taken to rectify this situation.

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### Waste

- 83** The 2007/08 audit plan included an assessment of the progress made by the Merseyside Waste Partnership (Merseyside and Halton councils) to meet its obligations for the management of household and municipal waste and procure long-term treatment and disposal facilities for such waste.
- 84** The authorities are now making good progress by increasing recycling and composting of household waste. All authorities have diverted more municipal waste from landfill. They are making steady progress on the procurement of new facilities for waste handling and treatment. However, comparative performances are variable and are still worse than most other authorities - based on the latest published figures - and result in high landfill tax payments. Furthermore, disagreements over the potential location of such facilities are resulting in slower progress than planned, resulting in a significant risk of delay to the procurement process that could potentially incur additional costs of over £400 million.
- 85** The report outlines specific progress for Wirral and highlights areas for improvement.

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### Grant claims

- 86** The Audit Commission, under section 28 of the Audit Commission Act 1998, is required to make arrangements for certifying claims and returns in respect of grants and subsidies made or paid to the Council. The certification work is carried out by using certification Instructions (CIs) created by the Audit Commission in conjunction with the grant paying body. These CIs specify a series of tests to be carried out on each grant claim/return.
- 87** During the year we presented our report on the certification of 2006/07 grant claims to the Audit and Risk Management Committee. We certified a total of 32 claims with a total value of £178m. During the course of our certification work we amended 7 claims (22 per cent) which resulted in a net reduction of £173k in grant income. We were required to issue 8 qualification letters (25 per cent of claims) which highlighted £380k of qualified expenditure. We made recommendations to ensure eligibility of expenditure, improve quality assurance processes and working papers.
- 88** The 2007/08 grant certification programme is not yet complete. We have completed the certification for 9 claims but a number of European Regional Development Fund (ERDF) claims have just been received or are expected and our work is progressing. The Audit Commission imposed an embargo on the audit certification of ERDFs from 29 November 2007 following a decision by CLG to move to a risk based approach for the requirement of independent audit certification. Following notification from CLG on which claims should be audited, the Council has been preparing the claims for submission to us.

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### Advice and Assistance work

#### Data quality workshop

- 89** Following the 2007/08 data quality audit the Council asked us to carry out a workshop to raise awareness of the importance of good data and information quality. The workshop was run on 23 February and over 40 officers attended and completed a range of case studies which required them to audit performance information and then use that information to brief chief officers and members and recommend an investment decision to Cabinet. Officers attending gained a better understanding of the impact of poor data and information in the decision making process and the importance of quality assurance processes. Policy and best value staff are now planning to roll out the workshops to others in the organisation.

# Merseyside Pension Fund

- 90** Wirral Borough Council is the administering authority for the Merseyside Pension Fund. We audit the accounts of the Pension Fund and report on whether the financial statements included in the Annual Report are consistent with the statutory financial statements of Wirral Borough Council.
- 91** I issued an unqualified report, including my opinion that Merseyside Pension Fund's financial statements are consistent with the statutory financial statements of Wirral Borough Council for the year ended 31 March 2008. Our Annual Governance Report was presented to the Pensions Committee on 29 September 2008.
- 92** The financial statements submitted for audit were complete but contained some errors. During the audit, management agreed to eight adjustments to the figures in the accounts and three adjustments to notes that we recommended. In total these adjustments increased the value of the fund account and the net assets statement by £1.387m.
- 93** The arrangements for production of the financial statements are satisfactory. The draft financial statements were produced by the target date and the working papers to support the financial statements were generally good.

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# Looking ahead

- 94** The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 95** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 96** The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspects of each area's Local Area Agreement.



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# Closing remarks

- 97 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the Cabinet on 23 2009. Copies need to be provided to all Council members.
- 98 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

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**Table 5      Reports issued**

<b>Report</b>	<b>Date of issue</b>
Audit and inspection plan	May 2007
Annual Governance Report - Wirral Borough Council	September 2008
Annual Governance Report - Merseyside Pension Fund	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Opinion on Merseyside Pension Fund	September 2008
Access to services inspection	January 2009
Use of resources	January 2009
Democratic arrangements	July 2008
Community cohesion	December 2008
Health inequalities	October 2008
Data quality	January 2009
Waste	August 2008
Grant claims (2006/07)	May 2008
Comprehensive performance assessment	February 2009
Annual audit and inspection letter	March 2009

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- 99 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

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**Availability of this letter**

**100** This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the Council's website.

**Michael Thomas**

District Auditor

**Peter Forrester**

CAA Lead

March 2009

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, covering the £180 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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## Copies of this report

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