

REPORT TO: Audit, Governance, and Improvement Review Committee

DATE: 28th June 2007

SUBJECT: CPA Use of Resources Action Plan Update

REPORT OF: Director of Finance and IT

CONTACT OFFICER: David Smith 01942-827232

PURPOSE/SUMMARY: To provide Members with an update on the Council's Action Plan following the CPA Use of Resources assessment 2006.

ALTERNATIVE OPTIONS CONSIDERED AND REASON FOR SELECTING THE ONE RECOMMENDED: No alternatives, an appropriate Action Plan to identify improvement action is an essential requirement within the Audit Commission CPA framework

RECOMMENDATION/DECISION:

- Approve the updated action plan detailed at Appendix B.
- Note the proposed submission of additional reports in due course in respect of the ongoing 2007 CPA Use of Resources self-assessment and Audit Commission review.

KEY DECISION This report does not involve a key decision.

RISK/IMPLICATIONS:

Financial:	No extra costs but improved financial management reduces the risks to the Council's finances.
Staffing:	None
Policy:	Assists in demonstrating performance and improvement.
Equal Opportunities - Has a Diversity Impact Assessment been conducted?	N/A

Wards Affected:	None
Special Interest Members – Which have been consulted	None

Has the Director of Legal and Property Services confirmed that the recommendations within this report are lawful and comply with the Council's Constitution? **Yes/No**

Has the Director of Finance and IT confirmed that any expenditure referred to within this report is consistent with the Council's budget? **Yes**

Are any of the recommendations within this report contrary to the Policy Framework of the Council? **No**

For Cabinet reports only :

Categorisation of the report:	x		x
Discussion leading to a decision		Discussion	
Monitoring		Decision	
Sharing for corporate understanding		Information	

Tracking/Process:

	Consultation	Ward Members	Partners
Panel	Overview & Scrutiny	Cabinet	Council

List of Background Papers in accordance with Section 100D of the Local Government Act, 1972:

Document	Date	File Reference	Place of inspection

Proper Officer David Smith

Date 11th June 2007

1. Background

As part of the CPA framework the Audit Commission undertake an annual assessment of the Council's Use of Resources to determine how well the Council manages and utilises its financial resources. The assessment covers five separate themes (financial reporting, financial management, financial standing, internal control, and value for money and is scored on a numerical one (inadequate performance) to four (performing strongly) basis.

The Audit Commissions report in respect of the 2006 review was submitted to the Audit, Governance, and Improvement Review Committee on 7th December 2006. The report established that the Council had attained an overall score of four, i.e. the highest level – “performing strongly” (scoring matrix included at Appendix A). On 11th January 2007 the Audit Commission published its composite annual assessment of the 150 single tier and county councils authorities' Use of Resources which established that **Wigan was one of only fifteen Councils who had achieved this highest level.**

Of particular note is the improvement in the scores for Internal Control where the establishment and operation of this Committee has been recognised as adding considerable value to the Council's governance arrangements. Only 8 of the 15 Councils who were awarded an overall level 4, attained a level 4 for this element and only 2 additional Councils from all 150 Councils attained this level.

2. Further Action

The Audit Commission report identified a number of “improvement opportunities” for the Council to further develop its performance against the Key Lines of Enquiry. An appropriate Action Plan was developed to cover the “improvement opportunities” and approved by this Committee on 1st February 2007. An updated Action Plan showing action taken by Management is attached at Appendix B for Members assessment and approval. These actions will support the Authority's 2007 Use of Resources self-assessment which is currently being prepared. A position statement will be submitted to this Committee on 2nd August 2007.

3. Recommendations

Members are asked to:-

- Approve the updated action plan detailed at Appendix B.
- Note the proposed submission of additional reports in due course in respect of the ongoing 2007 CPA Use of Resources self-assessment and Audit Commission review.

Use of Resources Key Lines of Enquiry Scores 2006

KLOE Elements	2005 Score	2006 Audit Commission Score
1. Financial Reporting How good are the Council's financial accounting and reporting arrangements?	3	3
1.1. The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3	3
1.2. The Council promotes external accountability.	2	3
2. Financial Management How well does the Council plan and manage its finances?	3	4
2.1. The Council's Medium Term Financial Strategy, budgets and Capital Programme are soundly based and designed to deliver its strategic priorities.	3	4
2.2. The Council manages performance against budgets.	3	4
2.3. The Council manages its asset base.	3	3
3. Financial Standing How well does the Council safeguard its financial standing?	3	3
3.1. The Council manages its spending within the available resources.	3	3
4. Internal Control How well does the Council's internal control environment enable it to manage its significant business risks?	3	4
4.1. The Council manages its significant business risks.	3	4
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	4
5. Value for Money	3	3
5.1. The Council currently achieves good value for money.	3	3
5.2. The Council manages and improves value for money.	2	3

2006 Judgements - Agreed Areas for Improvement.**Key Finding and Conclusion**

“Wigan has maintained a good record of producing its financial statements within tighter deadlines without any reduction in quality. A key strength is the overall quality of the accounts presented for audit with only minor errors arising. The Council has strengthened its arrangements towards promoting external accountability and reporting and members have demonstrated an awareness and interest in accounting issues.”

KLOE Ref.	KLOE Requirement	Audit Commission Comment	Initial Comments	Current Position
1.1	The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	<ul style="list-style-type: none"> ▪ Standard of working papers need to be improved to achieve the exemplary standard. 	<ul style="list-style-type: none"> ▪ Arrangements are being made for details to be fed through to Assistant Director (Financial Services) on the individual areas where the Audit Commission considered improvements are required. ▪ A start has been made with Final Accounts close-down files being re-ordered to make them closer to the Audit Commission request forms and these will be bundled into an electronic format. The next opportunity for the quality of the working papers to be critically evaluated will be from July 2007 when the audit is expected to start. ▪ Audit Commission Audit Manager will be requested to access the notable practices website for examples of “exemplary working papers”. In addition the Assistant Director (Financial Services) will contact a sample of authorities who scored a 4 for KLOE 1.1 (7 in total). 	<ul style="list-style-type: none"> ▪ All Authorities who attained a Level 4 for KLOE 1.1 and therefore must have provided “exemplary working papers” were contacted. This has resulted in processes being refined to include a range of identified notable practices. Key revisions include the use of electronic working papers accessed via a web based SharePoint site. This combined with revised header sheets and enhanced indexing should satisfy the Audit Commission.

Key Finding and Conclusion

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KLOE Ref.	KLOE Requirement	Audit Commission Comment	Initial Comments	Current Position
1.2	The Council promotes external accountability.	<ul style="list-style-type: none">▪ Need to publish annual report or similar document which includes the summary accounts, produced this year and an explanation of key financial information. This should be designed to be understandable and informative to members of the public and available in a wide variety of formats in order to meet local user needs.	<ul style="list-style-type: none">▪ Assessment to be completed by Assistant Director (Financial Services) to determine the extent and format of information already available to the public. The Audit Commission have confirmed that a single document is not necessary as long as the appropriate issues are covered and adequately referenced, etc. The results of this assessment will be available before the end of March 2007 to enable planning and resource requirements and the desirability of a single publication to be considered for when the 2006/07 Accounts are prepared.	<ul style="list-style-type: none">▪ A wide ranging review of the type and format of annual reports has been undertaken. An appropriate model has been determined and a publication production schedule agreed.

Key Finding and Conclusion

"The Council has clearly demonstrated a sound basis for its medium-term financial strategy, budgets and capital programme which are designed to deliver its strategic priorities. This area of strength has been submitted to the Audit Commission as a notable practice. Performance is actively managed against budgets and the Council manages its asset base."

KLOE Ref.	KLOE Requirement	Audit Commission Comment	Initial Comments	Current Position
2.3	The Council manages its asset base.	Demonstrate that:- <ul style="list-style-type: none">▪ the results of performance measurement and benchmarking are communicated to stakeholders where relevant. ▪ the Council has developed an approach for the co-ordination of asset management information and its integration with relevant organisational financial information.	<ul style="list-style-type: none">▪ Notable practices information has been requested from the Audit Commission and provided. However, the current information available reflect the 2005 reviews. The Audit Commission Audit Manager will progress the 2006 information as soon as possible.	<ul style="list-style-type: none">▪ Examples of Notable Practices received from the Audit Commission are being assessed to determine how they can be incorporated into the Council's asset management processes. ▪ The Council's revised Integrated Planning Approach as approved by SMT on 13th March 2007 details that property assets are considered to be a key resource in the delivery of services. The report recommends the creation of a business support process to integrate people, property, and technical processes with relevant organisational financial information. Further details at 5.2 below.

Key Finding and Conclusion

"The Council's policy for reserves and balances is based on a thorough understanding of its needs and risks and these are clearly reported to members. Spending is consistently maintained within budget."

KLOE Ref.	KLOE Requirement	Audit Commission Comment	Initial Comments	Current Position
3.1	The Council manages its spending within the available resources.	<p>Demonstrate that:-</p> <ul style="list-style-type: none">▪ Members monitor key financial indicators and set challenging targets ▪ where target levels for reserves and balances are exceeded members are aware of the opportunity costs of maintaining these levels.	<ul style="list-style-type: none">▪ Target setting information to be exemplified, expanded, and evidenced, on an improving basis in reports on performance submitted to Members. ▪ Covered by budget setting report.	<ul style="list-style-type: none">▪ Budget setting report (Council 28th February 2007) contains a section which identifies Key Performance Indicators linked to relevant departmental budgets. ▪ Quarterly reports on finance performance (Ctax/NDR/Benefits/Debtors) submitted to Audit, Governance, and Improvement Review Committee have been revised to include additional contextual information to support performance data. ▪ Budget setting report (Council 28th February 2007) contains a full analysis on the reasoning for establishing the level of balances and debate on opportunity cost, etc.

Key Finding and Conclusion

"The Council actively promotes probity and propriety in the conduct of its business and can demonstrated a strong counter fraud culture and high ethical standards. Improvements in risk management have continued to be embedded throughout the organisation. These areas of strength have been submitted to the Audit Commission as notable practice.

Systems of internal control are sound but these are weakened by the Head of Audit also having responsibility over Payroll.

Other improvements since 2005 include the setting up a new Audit, Governance, and Improvement Review Committee which has been constituted in line with CIPFA guidelines."

KLOE Ref.	KLOE Requirement	Audit Commission Comment	Initial Comments	Current Position
4.2	The Council has arrangements in place to maintain a sound system of internal control.	<ul style="list-style-type: none">▪ The Council need to strengthen the internal control arrangements by separating the Head of Audit role from responsibility as Assistant Director of Finance (Payroll).	<ul style="list-style-type: none">▪ A temporary transfer of Payroll section responsibilities from the Assistant Director (Audit and Payroll) to the Assistant Director (Technical Services) has been introduced from 1st January 2007 pending the completion of the Support Services review when a permanent solution will be introduced..	<ul style="list-style-type: none">▪ Temporary transfer of responsibilities actioned on 1st January 2007 as agreed pending implementation of Support Services Review.

Key Finding and Conclusion

“Wigan Council achieves good value for money. It is a relatively low spending Council and delivers generally good outcomes. Higher spending is usually linked to corporate priorities, but where this is unintentional the Council are taking action. The Council has clear information on its costs and how these compare to others, and recognises where it needs to improve outcomes to provide VFM.

Processes to review cost and performance information together have improved. Information is regularly reported to Officers/Members and challenged, and there is evidence of better outcomes as a result. Cost reductions are being secured whilst service performance is at least maintained. Efficiency review savings targets are being exceeded. Procurement has been strengthened, and the Council is bringing Social Services commissioning and LEA trading activities into the scope of procurement review.

The Council is very self-aware of the areas which it needs to address and these are well-documented in its plans.”

KLOE Ref.	KLOE Requirement	Audit Commission Comment	Initial Comments	Current Position
5.1	The Council currently achieves good value for money.	<ul style="list-style-type: none"> ▪ Where appropriate, report performance at a disaggregated level to highlight any inequalities across geographical areas or communities that could be hidden in averages. 	<ul style="list-style-type: none"> ▪ The feasibility of reporting performance information at a Township level is being assessed. 	<ul style="list-style-type: none"> ▪ Detailed information is now available at individual township level covering relevant issues, viz.:- <ul style="list-style-type: none"> ○ Households ○ HRA stock ○ Population ○ Lone parents ○ Community Safety ○ CYPs ○ Environmental Services ○ Council Housing ○ Health Indicators ○ Child Tax Credits and Working tax Credits ○ The above information is also detailed at a sub category level. ▪ Fischer Family Trust statistical analysis has previously been used to map attainment across schools and geographical areas with a particular emphasis on deprivation. From 2006 onwards GIS software has also been used to map results across the Borough and to calculate average scores for each area. The results allow a further drill down into 200 super output areas within the Borough and also at each Township level.

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KLOE Ref.	KLOE Requirement	Audit Commission Comment	Initial Comments	Current Position
5.2	The Council manages and improves value for money.	<ul style="list-style-type: none"> ▪ Continue to identify areas of contestable social services spend and LEA activity and demonstrate best value from current arrangements. 	<ul style="list-style-type: none"> ▪ The Deloitte Action Plan and various work streams should address the Adult Services issues. In particular a commissioning and procurement strategy is being developed. Also a corporate procurement strategy is scheduled for completion by April 2007. ▪ The Schools Network is being re-established that will provide an additional focus for VFM attainment, etc. 	<ul style="list-style-type: none"> ▪ The Adults Services “Commission Strategy for Health and Well Being” was submitted to the Adult Services Panel and Cabinet on 29th and 31st May respectively and is scheduled for approval by Council on 11th July 2007. The Strategy describes how outcomes will be achieved in broad terms. Additional reports in respect of specific decisions will be brought to Cabinet as and when required. ▪ The Schools Network is a high level working group of Chief Officers (or nominated senior officers) and Headteachers. The forum allows Headteachers to raise issues of concern by direct access to senior Council officers. In addition Council officers can inform Headteachers directly of proposed Council issues that may impact on schools

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KLOE Ref.	KLOE Requirement	Audit Commission Comment	Initial Comments	Current Position
5.2	The Council manages and improves value for money.	<ul style="list-style-type: none"> ▪ In an increasingly challenging financial environment, strengthen the approach to impact assessment to ensure that impact on outcomes receives the same analysis and rigour as cost reductions. 	<ul style="list-style-type: none"> ▪ The Improvement Programme has recognised the need to demonstrate links between performance management, people strategy, budgets and outcomes. 	<ul style="list-style-type: none"> ▪ A revised integrated approach to budget and planning processes was approved by SMT on 13th March 2007. This approach builds on the already successful financial and non-financial performance management framework to integrate additional key resource streams into the budget and planning process to provide an integrated planning process.