

Report to: Audit, Governance and Improvement Review Committee
Date: 6th December 2007
Subject: Use of Resources Judgement
Report of: Director of Finance & IT
Contact officer: David Smith 2232

Purpose / summary: To receive an update on the Councils Use of Resources position from our External Auditors.

Alternative options considered and reason for selecting the one recommended: To reject the report. The recommendations are consistent with good financial management of the Authority

Recommendation / decision: To agree the report and request a further report in respect of actions to address any improvement points

Key Decision: This report does not involve a key decision. The decision made as a result of this report will be published within **48 hours** and cannot be actioned until **seven working days** have elapsed, i.e. before 13th December 2007

Risks / Implications:

Financial:	None
Staffing:	None
Policy:	None
Equal Opportunities - Has a Diversity Impact Assessment been conducted?	No impact
Wards affected:	All

Property Implications– Does the proposal involve a reduction, addition or change to the Council's asset base or its occupation?

No

If yes have the property implications been agreed with the Corporate Property officer?

Does this proposal have significant implications for the Council and the local population?

A diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

Does this proposal involve a new policy or procedure or significant changes to an existing policy or procedure?

A diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

Has the Director of Legal and Property Services confirmed that the recommendations within this report are lawful and comply with the Council's Constitution? **n/a***

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

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

* delete which applicable

For Cabinet reports only :

Categorisation of the report:	X
Discussion leading to a decision	
Monitoring	
Sharing for corporate understanding	

	X
Discussion	
Decision	
Information	

Tracking/Process:

	Consultation	Ward Members	Partners
Panel	Overview & Scrutiny	Cabinet	Council

There are no Background Papers to this Report within the meaning of Section 100D of the Local Government Act 1972.

Proper Officer David Smith, Director of Finance & IT

Date 6th December 2007

1. Background

1.1 One of the component parts of our overall CPA is an annual Use of Resources assessment which evaluates how well we manage and use our financial resources. Judgements are made on the Commission's standardised scale:-

- 4 - well above minimum requirements - performing strongly
- 3 - consistently above minimum requirements - performing well
- 2 - at only minimum requirements - adequate performance
- 1 - below minimum requirements - inadequate performance

For scores of 4 (performing strongly) they are required to consider whether councils can demonstrate innovation or best practice that can be shared with other authorities.

1.2 The Council has achieved maximum overall score in Use of Resources for 2005 and 2006 although individual components within this have required constantly updating and improving to ensure that this high standard is maintained.

1.3 The Council's 2007 self-assessment was presented to the Audit, Governance and Improvement Review Committee in August 2007, along with confirmation that the improvement opportunities identified in the 2006 assessment had actually been implemented.

1.4 The self assessment has been examined by the Audit Commission in line with the National scheme and a formal timetable operates for the release of the results. At the time of writing this covering report, the results have still not been announced as the assessments all need to be subjected to the Audit Commissions national quality assurance standards.

The results are expected on the 6th December 2007, which is slightly later than last year, but is why this particular meeting of the Committee has been scheduled outside of the normal cycle.

1.5 To follow, and to attach to this report, will be the report of the External Auditors which should summarise the position and should be confirmed at the meeting on the 6th December when the final results are announced.

2. Next Steps

2.1 Following the External Auditors recommendations on any further areas for improvement, an action plan will be presented to the next meeting of this committee, detailing what further actions will be implemented.

3. Recommendation

Members are recommended to agree the report and request a further report in respect of actions to address any improvement points.

Director of Finance and IT
December 2007.



Use of Resources Auditor Judgements

Wigan Metropolitan Borough Council

Audit 2007/08

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

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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 Wigan 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 website. 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 Wigan Council are outlined overleaf. These scores are still subject to confirmation by our national quality control process. This seeks to ensure consistency across all suppliers and on a national basis. Consequently we are informing you that the scores reported here may change as a result of national quality control and should not be taken to be final. Following completion of national quality control, 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.
- 7 Attached at Appendix 1 are the changes to the use of resources key lines of enquiry for 2008. The improvement areas raised in this report do not cover the changes in requirements.

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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		
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	4	3
1.2 The Council promotes external accountability.	4	3
Financial management		
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	4	4
2.2 The Council manages performance against budgets.	4	4
2.3 The Council manages its asset base.	3	3
Financial standing		
3.1 The Council manages its spending within the available resources.	3	3
Internal control		
4.1 The Council manages its significant business risks.	4	4
4.2 The Council has arrangements in place to maintain a sound system of internal control.	4	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
Value for money		
5.1 The Council currently achieves good value for money.	3	3
5.2 The Council manages and improves value for money.	3	3

Theme summaries

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

Financial reporting

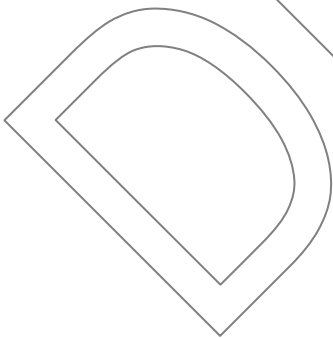
Table 3

Theme score 4	
Key findings and conclusions	
<p>Wigan Council continues to produce high quality financial statements which accurately reflect relevant accounting standards and require few amendments at audit. This continues to be a key strength.</p> <p>The Council has further improved its arrangements with the introduction of electronic web based working papers and also with the publication of an annual report which has been widely consulted on to reflect best practice and the views of users. These areas have been submitted to the Audit Commission as notable practices and as such are likely to be shared with other authorities.</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>Continue to develop final accounts preparation processes and supporting working papers to ensure these remain of a high quality.</p>

Financial management

Table 4

Theme score 4	
Key findings and conclusions	
<p>The Council continues to show key strengths in its approach to medium term financial planning and in managing its performance against budgets. There are clear links between medium term financial planning, resources and Council priorities and budget monitoring arrangements continue to be further embedded throughout the organisation.</p>	
Improvement opportunities	
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>Ensure that:</p> <ul style="list-style-type: none"> • there is communication with stakeholders on the results of performance measurement and benchmarking; and • progress is made on the proposed integrated planning approach to co-ordinate asset management information with relevant financial information.



Financial standing

Table 5

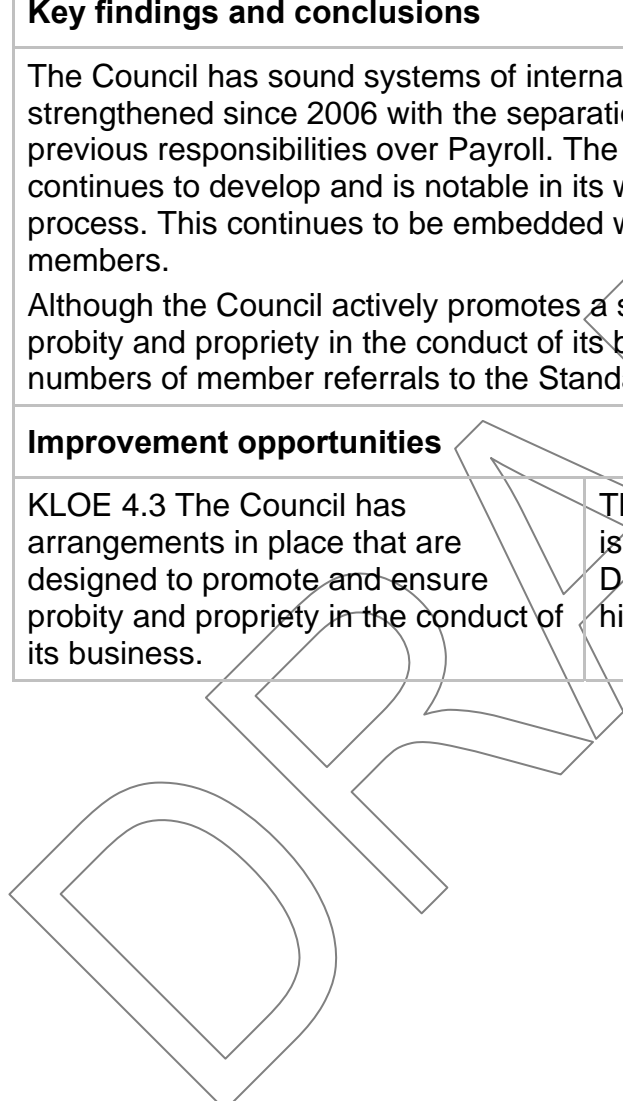
Theme score 3	
Key findings and conclusions	
The Council's financial reserves are sound and in line with its policy agreed by members. Spending is consistently maintained within budget.	
Improvement opportunities	
KLOE 3.1 The Council manages its spending within the available resources.	<p>Ensure that:</p> <p>There is clear evidence that members monitor key financial health indicators and set challenging targets on an improving basis.</p> <p>Where target levels for reserves and balances are exceeded members are aware of the opportunity costs of maintaining these levels.</p>

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Internal control

Table 6

Theme score 4	
Key findings and conclusions	
<p>The Council has sound systems of internal control which have been strengthened since 2006 with the separation of the Head of Audit role from previous responsibilities over Payroll. The governance assurance framework continues to develop and is notable in its wide remit over the whole governance process. This continues to be embedded with ownership from both officers and members.</p> <p>Although the Council actively promotes a strong counter fraud culture and probity and propriety in the conduct of its business there have been high numbers of member referrals to the Standards Board during the period.</p>	
Improvement opportunities	
<p>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.</p>	<p>The Council needs to address the issues within the Standards Board Direction issued in 2007 to promote high ethical standards of its members.</p>



Value for money

Table 7

<p>Theme score 3</p>
<p>Key findings and conclusions</p> <p>The Council continue to deliver above average services for comparatively low levels of expenditure. In particular, Adult services and Children's services spending is in the lowest 25 per cent when compared to similar councils, and yet all achieve level 3 (good) performance. Housing services too are performing well in relation to spending, although some pressures are emerging around affordable homes and homelessness.</p> <p>Where spending is higher in some areas, the Council demonstrates a good understanding of the reasons why. Usually this is as a result of policy decisions, for example the Council supports more use of free home to school transport services than other councils, thereby widening access and promoting inclusion. However, where the higher spending is unintentional there is evidence of further analysis or planned actions to understand this better and improve VFM. The Council is improving its approach to procurement by reviewing commissioning arrangements in both Adult and Children's services. Actions have been identified to improve VFM in the next year, with some new contracts already let.</p> <p>In reviewing Adult services provision, the Council has addressed some of the impact of spending being too low in some areas, most particularly the rates paid for elderly mental health residential care. This will deliver wider, social benefits by ensuring appropriate provision is available for users and their carers.</p> <p>The Council can demonstrate active monitoring and benchmarking of cost and performance information, including spend per head analysis. Systems are in place, and the Corporate Management team can show where corrective action has been taken. An increased range of services and outcomes are now monitored at township level, improving the Council's understanding of equality of access and relative performance across the borough.</p> <p>The Council continues to over achieve on delivery of efficiency targets. At the end of 2006/07, the Council has almost hit the 2007/08 target of £21.976m. A very high proportion of these efficiency savings have released cash for re-direction to priority areas.</p> <p>The Council is very self-aware of the areas which it needs to address and these are well-documented in its Improvement Plan and its Service Plans.</p> <p>The Council's performance demonstrates that it has continued to actively improve its performance in this area and remains well above the minimum requirements.</p>

Theme score 3	
Improvement opportunities	
KLOE 5.1 The Council currently achieves good value for money.	<p>Further improve outcomes and service assessments, whilst maintaining levels of expenditure at or below comparators.</p> <p>Deliver the implementation plans to improve commissioning and VFM in Adult and Children's services.</p>
KLOE 5.2 The Council manages and improves value for money.	<p>Complete the refresh of the capital strategy to ensure that spending is in line with new corporate priorities.</p> <p>Further develop monitoring and benchmarking of VFM at activity/township level as well as at service level.</p> <p>Ensure that the approach to measuring the impact of policy decisions on individuals and communities is consistently applied throughout the Council.</p>

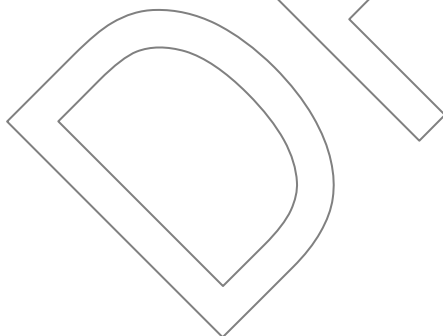
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Conclusion

- 9 The Council's performance demonstrates that it has continued to actively improve its performance in this area and remains well above the minimum requirements.

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. (For information the changes to the UOR key lines of enquiry have been summarised at Appendix 1). We will be reporting our scores and findings from our 2008 assessment to you at a similar time next year.
- 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

Table 8 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.

KLOE	Level	Summary of change
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'
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.

KLOE	Level	Summary of change
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.