

# **Value for money**

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# **conclusion**

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**Wyre Forest District Council**

**Audit 2009/10**

**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, auditing the £200 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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## Introduction

- 1** I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice which is approved by Parliament requires the auditor to report each year on her conclusions as to whether the Council has satisfactory arrangements in place. This is known as 'The Value for Money Conclusion'.
- 2** In order to form that conclusion the auditor was required to consider ten specific areas known as Key Lines of Enquiry (KLOEs) as set out in the Code of Audit Practice. In addition the Audit Commission required the auditor to actually score those ten areas on the basis of 1-4. This process was known as the Use of Resources assessment.
- 3** Work on the Use of Resources assessment had been substantially completed by the end of May, and informal feedback provided to officers. Following the recent change of government however the Audit Commission announced that work on the Use of Resources element and all work on Comprehensive Area Assessment would cease with immediate effect.
- 4** Nevertheless I am still required to make the Value for Money conclusion and enclose my findings in this report for the benefit of officers.

# Summary

## Key messages

**5** The key findings of the eight KLOEs are set out below and further details are contained in appendix 1. The Council has shown some improved performance in many areas.

**6** I issued an unqualified Value for Money conclusion in September which means the Council had at least adequate arrangements in place in each of the criteria assessed.

### Planning for Financial Health – KLOE 1.1

**7** The Council has good financial planning. While the Council does not have a balanced budget, in the medium term, the use of revenue balances to support spending is planned and in line with the financial strategy. Achievement of a balanced budget will be a challenge in the current financial climate. The Council has set itself challenging efficiencies targets that it has so far delivered and exceeded in some areas. The Council clearly is aware of its challenging financial position and is taking appropriate action to achieve financial resilience.

### Understanding costs and achieving efficiencies – KLOE 1.2

**8** The Council has a good understanding of its costs and has made significant cuts to its cost base over the last two years. Steps are being taken to make more efficiencies. This includes working closely with partner organisations to both buy and run services.

### Financial Reporting – KLOE 1.3

**9** The Council has a track record of preparing good quality accounts within statutory deadlines. While there were material changes made to the accounts, these were specific in nature and do not suggest any weakness in underlying processes and procedures for production of the accounts. The Council produces an annual report which is good practice. However, it would be more usual and relevant to the reader for it to contain the out-turn position for the year rather than the budget. The Council's in-year reporting is satisfactory and provides management with a reasonable overview of the financial position and financial risks. The ledger is being updated which should streamline the process, improve accuracy and enable monitoring reports to be produced in a more timely manner.

**Commissioning and procurement – KLOE 2.1**

10 A procurement strategy is in place that links with corporate priorities. Arrangements are in place to engage with stakeholders and for this to influence commissioning.

**Use of information – KLOE 2.2**

11 We identified no specific issues on the quality of data. There is an improved understanding by Council officers of the need to produce relevant and reliable data in supporting good performance and informed decision-making that can show better outcomes for local people.

**Good governance – KLOE 2.3**

12 Governance arrangements are good and performance management arrangements are improving. The ethics and standards committee provides a strong challenge. The budget process was also subject to particular challenge.

**Risk management and internal control – KLOE 2.4**

13 The Council has recognised that risk management arrangements could be improved. Risk is a standing item on all committee reports.

**Use of natural resources – KLOE 3.1**

14 The Council has good baseline data. The council was able to provide a number of examples of where action had been taken to reduce emissions, within the constraints of its current asset base. The new single site is being designed to minimise its environmental impact.

## Appendix 1 Value for money key findings and conclusions

The following tables summarise the key findings and conclusions for each of the value for money criterion.

<b>KLOE 1.1 (financial planning)</b>	
<b>VFM criterion met</b>	<b>Yes</b>
<b>Key findings and conclusions</b>	

The Council has appropriate financial planning arrangements and these have developed over the last year. The Council has taken significant steps to ensure its financial health in the medium term although there continue to be significant risks. Large savings have been achieved this year. Steps are being taken to change the way the Council works to achieve efficiencies and improved outcomes.

The Council has a medium term financial plan. The current plan, developed in 2009, following identification of a significant financial problem arising from the credit crunch. This plan has been updated this year as part of the budget setting process and will be updated annually. Last year's budget was challenging but the overall level of savings was delivered. The MTFP contains savings plans for a three-year period. The plan contains sensitivity analysis around interest rates and government grants in particular.

The budget setting cycle was timely, allowing enough time for consultation with the various political groups in the council. The Council has made budget allocations through its 'prioritisation model'. This allows the council to take into account factors including corporate priorities and the outcome of consultation. This process suggests a systematic approach and shows clear links between the budget, corporate priorities and investment and disinvestment decisions.

There is a clear IT strategy that links to corporate priorities, to the capital programme and budget. Another significant element of its capital programme is investment in refuse vehicles – and this fits with the county wide waste strategy.

Historically the Council has annually underspent against its agreed budget. The Council has done much this year to tackle its challenging financial position to achieve financial stability in the medium term. The Council is dependent on using its balances to support revenue spending, in a planned way. The Council's financial plans will result in these surplus balances being used in the medium term and thus a 'balanced budget' will be essential and will require more savings to be made.

The Council has plans to use much of its capital balances in the near future and is planning to undertake 'prudential borrowing' to support its capital plans. Recovery of £5.9 million currently in Iceland is also important to the financial health of the Council.

<b>KLOE 1.2 (understanding costs and efficiencies)</b>	<b>Yes</b>
<b>VFM criterion met</b>	<b>Yes</b>

**Key findings and conclusions**

The Council has good knowledge of its costs. This understanding is used to make decisions, for example areas to make savings. Clear guidance is given to rank services against their delivery of priorities which means the Council has a clear view of what it must do, through to where it delivers statutory services but at above the minimum standard, to what is nice to do.

The Benefits service has good performance though costs were high. The Council have taken steps to reduce costs in benefits and merge it with local taxation. Costs have reduced; performance continues to be good despite the huge rise in claimants.

The Council understands its significant costs, including ones that they cannot do anything about – historic pension costs. Council buildings and improving the ICT infrastructure have been explored as areas of investment to save costs. In 2008 the Council approved £2.54 million to renew its ICT. Progress has been made towards the single site objective.

Partnerships are reviewed annually to assess what the partnership delivers in meeting Council priorities and resources involved. To help decide whether the Council should continue in partnership with an organisation. Joint working with other councils is now gathering pace. The first area; regulatory services, hosted by Bromsgrove Council is now operating.

Support and administrative costs are being reviewed to assess what will be needed to support future structures and working arrangements.

Payroll costs have been reviewed and from July all staff will be paid monthly. The HR function has recently been transferred to the County Council and the payroll functions will transfer to Redditch BC from 1 April 2011, this will provide resilience and means the Council can jointly develop the CHRIS system further, to improve efficiency.

Some benchmarking has taken place. Comparison to the nearest statistical neighbours is made. Some exemplar performance is highlighted, for example local taxation which is low cost and high performance.

A clear understanding of banking costs and charges led to a retender of arrangements with 15 per cent savings and retaining the current supplier. The insurance tender exercise led to the Council achieving insurance savings of £150k in 2008/09 and ongoing savings of £50k each year.

Cost reviews inform the budget setting process, and determine where savings will be made. For the budget process in 2009 for 2010/11 revenue savings of £750,050 are identified with 9.2 posts lost. Overall the Council has identified more than £2 million ongoing efficiency gains to support the 2009/10 budget process. Up until and including 2009/10, the target of 3 per cent has been met. Significant savings were made through restructuring in 2008/09 for 2009/10. Savings were reviewed to ensure they were removed from the budgets.



**KLOE 1.3 (financial reporting)**

**VFM criterion met**

**Yes**

**Key findings and conclusions**

The Council reports quarterly on its financial position. The reports to the Cabinet are simplified so that rather than showing a line by line analysis and profile to the year-end, they show predicted under and over spends by service area. They are sufficient for members to get an overview of the financial position and where there may be areas of note. Many organisations provide financial reports that include actual expenditure to date as well as the profiled outturn, and this could be regarded as more transparent.

There are also reports on the position on savings plans, which is particularly important with regard to the scale of savings that need to be achieved. The Council does not yet have automated commitment accounting, although the council is in the process of upgrading the systems which will make this more achievable. Best practice authorities produce their budget monitoring information on a more timely basis and this should be a future aim.

Internal audit's review of the system highlighted the lack of linkages with risk management, the lack of documented budgetary control procedures and highlighted some limitations in the information being provided to directors but assessed the system as adequate overall.

A Corporate Resources Scrutiny Committee considers performance reports and hold the cabinet to account for its performance information. Both finance and performance information is contained within directorate business plans. Financial reports received by budget holders are adequate but could not be described as 'flexible reporting tools'. The reports to members, as referred to above, are simplified and highlight the key issues that the Director of Resources considers members should focus on. However there are not explicit links to performance, though a key priority for the Council is financial stability.

Accounts are well prepared and meet statutory requirements. Working papers are generally well prepared and provide adequate links to the accounts. The process to produce accounts from the financial ledger is labour intensive and the Council should be looking to streamline the process in the future. There were material changes to the accounts this year however these were quite specific in nature. The Council has a detailed closedown plan and is proactive in raising issues for resolution in advance of the preparation of the accounts. The Council is clearly committed to produce good quality accounts. When the accounts are presented to the audit committee they are supported with a detailed paper highlighting the key issues in the accounts. This report is generally balanced and appropriately focussed. Members should be challenging in their consideration of the accounts. The Council has taken steps towards the implementation of IFRS and has kept members updated on the issues and progress.

Separate simplified accounts are produced and included on the website in a timely manner in an effort to engage the local community. Key reports including the annual audit letter are included on the website. The Council also produces an annual report which is clear and concise but contains budget information rather than the actual outturn which is a weakness.

**KLOE 2.1 (Commissioning and procurement)**

**VFM criterion met**

**Yes**

**Key findings and conclusions**

The Council has a clear understanding of the inequalities and diversity of its communities and this is reflected in the Sustainable Community Strategy (SCS). A procurement strategy is in place and makes clear links to the corporate priorities and SCS, however the link isn't developed to look at the understanding of inequalities, diversity and the need for Council services, back to the Procurement Strategy.

The Council has arrangements in place to engage with stakeholders, service users and harder to reach groups. A citizen's panel is used, and an on-line consultation portal means that people can register their views.

Suppliers are informed about how to do business with the Council. There is information on the website, and the Council wants to improve these by adding standard documents, and to publish contract lists. The Council supports 'meet the buyer' events run by the County Council.

IT is used to improve customer's access to services. Plans are in place to improve services delivered through the Hub and relationships with the back office services. A new customer management system has been implemented which is expected to improve customers experience of the Hub. A new ICT infrastructure is being developed which will support more flexible, and home, working, and better management of documents council wide.

The Councils understanding of the 'market' is improving. Through the Spikes Cavel review, the Council has a better understanding of how it can shape the market. The Council bought together various contracts for alarms and maintenance under one contractor with twice yearly invoices. Now, the Council is looking to share its work across members of the Worcestershire and Warwickshire district councils group which could give greater efficiencies for the whole group and improve partnership working at this level.

The Council can demonstrate collaborative working with other councils to procure more efficient services and optimise performance. For example, through the Worcestershire council's joint insurance project this saved the Council £150k, with £50k savings ongoing each year.

Service reviews take place which look much at cost elements and generating savings, but there has been less focus on the competitiveness of those services. This is changing and the Council is looking at how to use benchmarking to understand how competitive its services are.

Collaborative working arrangements are developing which will improve VFM. The Council is now starting to consider shared services and has signed up to the WETT Regulatory Service. The Council will now provide procurement advice and work to another district council.

<b>KLOE 2.2 (data quality and use of information)</b>	<b>Yes</b>
<b>VFM criterion met</b>	<b>Yes</b>

**Key findings and conclusions**

Staff have an improved understanding about data quality, its importance and relevance. A data quality policy and supporting guidance is in place and available to all staff. An action plan sets out what is needed to improve data quality further, and this year a number of actions have been completed. Managers have had training on data quality.

Data sharing protocols are not yet in place though the action plan supporting the DQ policy sets out a timetable for their implementation. Data quality standards are set countywide for LAA data, and for the national indicator set.

The quality of data given to members and officers to ensure that well informed decisions are made is reviewed by CMT to ensure reports are well presented, and give relevant, good quality information.

The Council takes action to ensure the security of business critical systems. The Council complied with the code of connection for Government Connect, and had recently been audited. Some areas were identified for improvement, but the Council is still compliant. An IT Business Continuity Plan is in place to protect records and data which are vital to the effective functioning of the Council. The policy acknowledges the need to have data sharing protocols with third parties and these are not in place yet, however controls are in place to for third party access.

Performance management is improving. Performance clinics are held – these address underperforming areas, and also areas where particular improvement has been made. Members have reviewed how these panels are working. Supporting narrative for data is helping better performance management. An example is sickness performance which was called in by the clinic. After the first review by the panel performance continued to worsen, and the service head was called in again to explain and put in place more robust action. Subsequently sickness leave reduced.

Business plans are being revised and support is in place to ensure they are consistent throughout the organisation.

The Council learns from others and from its own processes. It is becoming more self aware. A report was taken to members about the findings of the AC on performance management which followed up on previous work carried out. Learning from the performance clinics etc is now being shared.

Large projects are managed through CMT. A project management system exists – this is based on Prince 2, though is simpler. Directors are allocated for each of the main projects.

<p><b>KLOE 2.3 (good governance)</b> <b>VFM criterion met</b></p>	<p><b>Yes</b></p>
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**Key findings and conclusions**

Working relationships between members and officers are good. There is cross county work now with both officers and members. For example there is one countywide independent remuneration panel and the Worcestershire councils are considering joint support for monitoring officer roles. Induction for new members takes place and the Council have introduced quarterly briefing sessions for members. These help better inform members on issues and are well attended and get positive feedback.

A strong ethics and standards committee is in place, and has a reputation for strong challenge. The Council now have a forward work plan in ethics and standards and produce an annual report. The member’s information bulletin is used to provide updates. Standards issues have arisen in the last year and have been dealt with. Challenge through scrutiny is good. Scrutiny committees are chaired by experienced opposition members. The challenge at the budget review was particularly strong.

Governance arrangements are in place for the Local Strategic Partnership (LSP), which also deals with disputes and resolutions. A good relationship exists between the council and LSP. An LSP forum has been established to broaden out involvement in decisions and wider community engagement.

A partnership framework is in place which sets out why the Council is engaged in the partnership, and the value in terms of Corporate, Strategic Community Strategy (SCS) and Local Area Agreement (LAA) priorities. Value for money is looked at. It details the public engagement carried out and looks at risks. Internal audit carry out six-monthly reviews and as a result some arrangements have stopped.

<b>KLOE 2.4 (risk management and internal control)</b>	<b>Yes</b>
<b>VFM criterion met</b>	<b>Yes</b>

**Key findings and conclusions**

Risk management arrangements are established. However the Council recognises that a review of risks and mitigations is needed and plans were in place for Zurich Municipal to facilitate this in the summer 2010, although this has yet to take place.

Council procedures state that the Audit Committee should reviews the risk register quarterly, however the register has not been reviewed this year, pending the external review. Any report that goes to Cabinet has to have risk management proposals if appropriate and mitigation. Service risks are identified as part of the service planning process. The escalation of service risks to the corporate register will form part of the Zurich review.

The Council has an internal audit department which is compliant with internal audit standards and works to a risk based audit plan which was agreed at the beginning of the financial year. They are on course to deliver their full program of work for 2010/11. This gives assurance that the authority has a sound system of internal control regarding internal audit.

Our assessment and that of internal audit is that there are no significant weaknesses in internal control.

The internal audit plan includes 50 days for corporate governance which covers all expected areas. This gives us overall assurance that the authority has in place arrangements for monitoring compliance with its corporate governance arrangements. The Council has an effective housing benefits fraud section and has advertised its benefits prosecutions as a deterrent.

The Council is appropriately involved in the NFI data matching exercise. In 2010/11 the council is focussing on the single person discount and has already identified some success in identifying overpayments/ fraud.

<p><b>KLOE 3.1 (use of natural resources)</b></p> <p><b>VFM criterion met</b></p>	<p><b>Yes</b></p>
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**Key findings and conclusions**

The Council has a climate change strategy with an annual action plan and service business plans tie into the Worcestershire climate change pledge. While there are similarities between the pledge and the climate change strategy, the latter is not fully integrated into the Service Business plans.

Baseline information on climate change and sustainability is being collected. CO2 emissions from buildings and the fleet are high and the main council building in Kidderminster is rated 'G' which is the worst rating. The Council is planning to move into a new build site which is being designed to minimise emissions and in the meantime short term actions are being taken where they represent value for money. Staff mileage emissions are small, and a green travel plan is in place. New working arrangements are being planned with the move to a single site that will contribute towards minimising emissions. Measures being considered include restricting car parking, encouraging car sharing, working at home, more flexible working, and sharing of the building with partners.

Some refuse vehicles are being replaced to improve emissions and the Energy Saving Trust has done driver training with staff that do the most miles.

Grants are offered to residents for solar panels for hot water and about nine grants were taken up this year and last year.

A programme of campaigns is in place to raise staff and member awareness of climate change issues. These tie in with local or national campaigns – 'switch it off' week etc. Newsletters are produced for staff and members. New employees have sustainability training as part of induction and whilst there is no specific training on climate change for members, there was some relevant training for new members last year.

Performance in relation to energy use is managed through the national indicators. An action plan is in place for buildings improvements, and targets set to improve recycling. Paper use is monitored.

The Council has done some work to identify the major environmental impacts that could impact on its operations, though this is at an early stage. Flooding is the main one and a water course officer was recruited in 2007 after the floods. Snow has also now been identified as a 'significant risk' to operations.

Heathlands are managed to maintain the natural habitat and grazing projects are in place. An orchard project is underway in Bewdley which aims to improve biodiversity as well as encouraging community use.

Sustainability impact assessments are undertaken on major projects. For example, the single site project, where the Council is looking to reduce its impact on the environment. Assessments are also undertaken as part of the procurement process.

There is some working with partners to reduce environmental impacts, for example community housing, but this is not generally a well developed area.

<b>KLOE 3.2 (strategic and asset management) not applicable to district councils in 2009/10</b> <b>VFM criterion met</b>	<b>Not assessed</b>
<b>KLOE 3.3 (workforce planning)</b> <b>VFM criterion met</b>	<b>Not assessed</b>

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