

Use of Resources

Manchester City Council

Audit 2007/08

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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 Manchester City 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 Manchester City Council are outlined overleaf. These scores have been confirmed by our national quality control process. This seeks to ensure consistency across all suppliers and on a national basis.
- 6 This summary sets out our key findings in relation to each theme and key areas for improvement.

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	2
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	1	2
1.2 The Council promotes external accountability.	2	2
Financial management	2	2
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	2	2
2.2 The Council manages performance against budgets.	2	2
2.3 The Council manages its asset base.	2	2
Financial standing	3	3
3.1 The Council manages its spending within the available resources.	3	3
Internal control	2	2
4.1 The Council manages its significant business risks.	2	2
4.2 The Council has arrangements in place to maintain a sound system of internal control.	2	2
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	3
Value for money	2	2
5.1 The Council currently achieves good value for money.	2	2
5.2 The Council manages and improves value for money.	2	2

Theme summaries

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

Financial reporting

Table 3

Theme score: 1	
Key findings and conclusions	
<p>Financial reporting arrangements have been assessed as below minimum standards - inadequate performance. The accounts submitted for audit contained several significant material errors and did not adequately meet SORP requirements. We highlighted in the Annual Governance Report presented to members in September 2007 that a review of available resources for the closedown process is required. Steps are being taken to further promote external accountability. Committee papers and minutes are now more readily available on the Council's website which has been recently updated. Further work needs to take place to ensure that the Council's stakeholders are consulted about the format of summary financial information to be issued.</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>Our Annual Governance Report recommended that a review of the resources available to achieve the annual closedown plan should be undertaken. This will be essential as the Council needs to minimise the number and value of errors within its financial statements, ensuring that the accounts are fully SORP compliant and with sufficient working papers to achieve a level 2 assessment.</p>
<p>KLOE 1.2 The Council promotes external accountability.</p>	<p>The Council needs to develop a process to obtain feedback from stakeholders regarding their requirements for summary financial information and then producing such information, potentially through an annual report.</p>

Financial management

Table 4

Theme score: 2	
Key findings and conclusions	
<p>Financial management arrangements continue to be assessed as meeting minimum requirements, though progress has been made in a number of areas. The Council's arrangements for managing its asset base have been enhanced and the Council has taken steps to improve its planning framework and to bring financial and service planning more closely together. At this stage it is too early to assess whether these arrangements are effective and embedded. The Council has adequate arrangements to monitor performance against budgets although there is more to be done to realise the full benefits from the new financial system. Further development of financial management arrangements of partnerships is also required.</p>	
Improvement opportunities	
<p>KLOE 2.1 The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.</p>	<p>Further progress can be made by embedding the financial and business planning processes. Further enhancement of the Medium Term Financial Strategy, ensuring that it clearly links to other Corporate Strategies will also enable progress.</p>

Improvement opportunities	
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>The Council needs to improve and embed some of the processes in relation to SAP. This includes ensuring that budgets are loaded on to SAP prior to the start of the financial year and that budget reports are with budget holders within ten working days.</p> <p>The financial management of partnerships needs to be improved and this may only be effectively demonstrated after the full completion of the partnership mapping exercise.</p> <p>In performing our review the Council presented some good examples of reporting financial and non-financial information to members. Such good practice needs to be shared with all services.</p> <p>The reporting of progress in achieving planned savings needs to be developed though this is expected to take place through the development of processes in relation to the Manchester Improvement Programme.</p>

Improvement opportunities

KLOE 2.3 The Council manages its asset base.

The Council needs to continue to implement its plans for improving its asset management arrangements by:

- ensuring that the comprehensive property review has clear outcomes and is supported by a robust project plan which sets out the priorities for the review;
- continuing to develop the value of the Asset Management Plan by producing a longer term action plan than the current annual one; and
- developing a set of local performance measures in relation to assets that evaluate asset use in relation to corporate objectives.

It is also important to ensure that Members are aware of the level of backlog maintenance and have approved a plan to address it as appropriate.

Furthermore full evidence needs to be maintained to ensure that the council makes investment and disposal decisions based on thorough option appraisal and whole life costing.

Financial standing

Table 5

Theme score: 3	
Key findings and conclusions	
<p>The Council’s financial position continues to be strong and there is a good track record of maintaining spending within available resources. Steps have been taken to develop financial monitoring, including those relating to the effectiveness of debt recovery. Overall the strength of the Council’s financial position means that a score of 3 is appropriate.</p>	
Improvement opportunities	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p>	<p>Continue to develop the monitoring of income collection and the effectiveness of recovery actions for material categories of income collection including for sundry debtors.</p> <p>The Council could also start to consider whether they have any notable practice to demonstrate progress to a level 4.</p>

Internal control

Table 6

Theme score: 2	
Key findings and conclusions	
<p>We have reported separately during the year that progress has been made in enhancing the Council's risk management arrangements, with further scope to improve risk management in partnerships. The Council has continued to develop its approach to maintaining and reviewing systems of internal control, though there are a number of arrangements that require development before a level 3 can be achieved. The Council continues to perform strongly on the promotion of probity and propriety in the conduct of its business.</p>	
Improvement opportunities	
<p>KLOE 4.1 The Council manages its significant business risks.</p>	<p>Risk assessments should be built in to all reports to support strategic policy decisions with project initiation documents always including a risk assessment.</p> <p>Risk management processes need to be developed for partnerships. This is to ensure they specifically consider individual partnership risks and provide assurances about the management of those risks within the partnership.</p> <p>A regular programme of training for members on risk management should be developed.</p>

Improvement opportunities	
<p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.</p>	<p>The assurance framework that maps the council's strategic objectives to risks, controls and assurances needs to be clearly demonstrated.</p> <p>The effectiveness of the audit committee needs to be subject to regular review. A strategy needs to be developed to ensure regular review of procedure notes for key systems</p> <p>Further evidence is also required to demonstrate that arrangements are embedded in relation to:</p> <ul style="list-style-type: none"> • governance in partnerships • the regular reconciliation of key financial systems • the documenting of systems.
<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 ensure that they keep their arrangements under review to ensure that they continue to perform well in this area.</p> <p>The Council could also start to consider whether they have any notable practice in relation to probity and propriety to demonstrate progress to a level 4.</p>

Value for money

Table 7

<p>Theme score: 2</p>
<p>Key findings and conclusions</p> <p>The Council's overall and service costs are higher than its statistical neighbours, but its total spend is below the average for authorities with a similar level of deprivation. The outcomes for 2006/07 have not changed significantly from the previous year, although various processes are being put in place aimed at improvement, including new budget and performance monitoring rules and a corporate support team.</p> <p>There is still overall an inconsistent relationship between the council's costs and the quality of its services. The Council has identified a number of areas of unintended high spending and has put plans in place to address these, leading to significant reductions in the final outturn from the mid-year estimate. The Council's capital programme is linked to its priorities, but there were a range of schemes which were not completed within budget and agreed timescales during 2006/07.</p> <p>Manchester is working hard to improve value for money across the Council, particularly through the Manchester Improvement Programme (MIP). It is improving performance management and monitoring processes across its services to ensure achievement of improved value for money. There are also examples of where the impact of changes in spending level on users has been explicitly considered.</p> <p>The link between the MIP and the Annual Efficiency Statement (AES) is still not clear. A Performance Management Framework and new business planning guidance have been introduced this year, which aim to better integrate financial and service planning together with a more rigorous review of performance by officers and members. Opportunities to manage and reduce costs are pursued by the Council - departments are set annual efficiency targets, and their achievement is routinely monitored, but the Council does not set targets for improving value for money.</p> <p>Benchmarking and comparisons with other Councils has been further developed in the year. The Council's procurement practices have been improved, particularly at transaction level and the use of e-auctions and e-procurement cards demonstrate improvements in value for money, but it is recognised that there is scope for further improvements in purchasing practice.</p>

Improvement opportunities	
<p>KLOE 5.1 The Council currently achieves good value for money.</p>	<p>Demonstrate that investment in high spending areas is leading to improvements in services.</p> <p>Demonstrate the efficiencies that MIP is targeted to deliver.</p>
<p>KLOE 5.2 The Council manages and improves value for money.</p>	<p>In terms of the Annual Efficiency Statement:</p> <ul style="list-style-type: none"> • improve its accuracy; • ensure an organisation-wide ownership of the Statement; • improve the link between the Statement and other processes designed to improve and report on efficiency and value for money, in order to develop a more coherent approach to VFM. <p>Improve project management for the capital programme.</p>

Conclusion

- 8 The Council's performance demonstrates a level 2 overall assessment with performance generally meeting minimum requirements. We would like to emphasise that, with the exception of financial reporting, we have identified progress within the KLOE's which we believe will assist the Council in future assessments.

Use of resources 2008

- 9 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. We will be reporting our scores and findings from our 2008 assessment to you at a similar time next year.
- 10 The Commission consulted on the changes to the key lines of enquiry for 2008, which can be found at appendix 1 to this report, 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.
- 11 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 – 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.