

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

<b>2. FINANCIAL MANAGEMENT</b>
<b>How well does the council plan and manage its finances?</b>
<b>Key line of enquiry</b>
2.1 The council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities
<b>Audit Focus</b>
Evidence that: <ul style="list-style-type: none"> <li>the council's corporate business plan (that sets out its aims and objectives) is linked to its financial planning and management</li> <li>the council's budgets and capital programme are based on robust medium-term financial projections and risk assessments</li> </ul>

**Level 2 Criteria**

<b>No.</b>	<b>Criteria For Judgement</b>	<b>Management Comment</b>	<b>Reference to Evidence Source</b>
1	<b>* The council has put in place a medium-term (three year) financial strategy which is linked to its key strategic objectives, and takes account of both local improvement priorities and national priorities.</b>	<p>The Council has adopted a set of medium term financial planning framework principles that guide the annual budget policy and are directly linked to Council's corporate objectives.</p> <p>The Director of Financial Services produces a medium term financial forecast for consideration by COMB. This sets out annual budget changes for the following three years based on assumptions about key budget influences and risks.</p> <p>The Council's medium term financial planning takes account of both Government and local priorities.</p>	<ul style="list-style-type: none"> <li>Medium Term Financial Plan – Framework Principles</li> <li>Deployment of Revenue and Capital Resources (Budget Book) 2004/05, 2005/06</li> <li>Agenda and minutes of Cabinet 8/02/05</li> <li>DFS medium term forecast spreadsheet</li> <li>Agenda and minutes of COMB 22/02/05</li> </ul>

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

2	* The medium term financial strategy models income and expenditure over a minimum of 3 years and is reviewed and updated at least annually.	The Director of Financial Services produces a three year Medium Term Forecast for spending and funding sources which is reviewed and updated annually. The latest financial forecasts for the annual budget and beyond are considered at the Council Strategy Member's Workshop held annually at the end of September.	<ul style="list-style-type: none"> <li>• Medium Term Forecast</li> <li>• Agenda and minutes of COMB 22/02/05</li> <li>• Agenda for Corporate Planning Workshop 27/09/04</li> </ul>
3	* A comprehensive and balanced revenue budget has been set, based on realistic projections about pay, inflation, and known service and capital development plans.	<p>The Council always sets a balanced revenue budget which has been prepared in accordance with medium term financial planning framework principles.</p> <p>In accordance with these principles the detailed budget allows for annual pay settlements, general price inflation and the revenue consequences of the capital programme.</p> <p>Where the Council faces specific inflationary pressures, these are included in budgets to maintain the year on year purchasing power in real terms.</p>	<ul style="list-style-type: none"> <li>• Agenda and minutes of Cabinet 20/12/05</li> </ul>
4	* The financing of expenditure is transparently explained in budget summaries and reports.	<p>The budget reports to Cabinet and Council set out in detail the financing required to fund the budget requirement.</p> <p>In addition to this, specific seminars are held to brief members on emerging budget issues throughout the process.</p>	<ul style="list-style-type: none"> <li>• Agenda and minutes of Cabinet 20/12/04 and 8/02/05</li> <li>• Agenda and minutes of Council 17/02/05</li> <li>• Powerpoint presentations eg "Budget Presentation" 20/12/04</li> </ul>
5	* Budgets are revised annually in light of the reasons for and consequences of the previous year's outturn and are linked to the medium-term financial	The budget policy takes into account the financial performance in the current year and the medium term financial planning framework principles.	<ul style="list-style-type: none"> <li>• Agenda and minutes of Cabinet 20/12/04</li> </ul>

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

	<b>strategy.</b>	Changes in service delivery and responsibilities are built into the budget setting process.	<ul style="list-style-type: none"> <li>• Medium Term Financial Plan</li> <li>• Agenda for Corporate Planning Workshop 27/09/04 supported by Activity Review 2003 document</li> </ul>
<b>6</b>	<b>* An affordable capital programme has been agreed and the current and future funding of this is built into revenue planning.</b>	<p>The Council's capital programme is agreed and is based on funding support from the government, the scope to achieve capital receipts from asset sales and a prudent level of borrowing that can be sustained through the annual revenue budget.</p> <p>Key affordability calculations are included in the annual Statement of Prudential Indicators approved by Cabinet and Council in February</p>	<ul style="list-style-type: none"> <li>• Agenda and minutes of Cabinet 8/02/05</li> <li>• Agenda and minutes of Council 17/02/05</li> <li>• Agenda and minutes of Corporate Property Strategy Group</li> </ul>
<b>7</b>	<b>* Budget holders are involved in the budget setting process.</b>	Budget holders/operational staff are fully involved and supported by financial staff through the budget process. Finance staff work closely with operational managers to ensure the budget accurately reflects demographic changes and any changes to service delivery	<ul style="list-style-type: none"> <li>• Code of Practice for Principal Finance Officers and their Staff</li> <li>• Departmental Management Team minutes</li> </ul>
<b>8</b>	<b>* Budgets are subject to review by senior officers and members.</b>	<p>The latest financial forecasts for the annual budget and beyond are considered by members and senior officers at the Council Strategy Members Workshop, held annually at the end of September.</p> <p>Scrutiny of the 2005/06 budget involved Scrutiny Panels receiving presentations from their relevant Directorate to help inform members of the issues and any financial pressures facing the directorate and its services in order that the context of budget and policy planning can be understood.</p>	<ul style="list-style-type: none"> <li>• Agenda and minutes of Scrutiny Steering Group 17/09/04</li> <li>• Agenda for Corporate Planning Workshop 27/09/05</li> <li>• Agenda and minutes of Scrutiny Panels October 2004</li> </ul>

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

9	* Each capital and revenue budget is assigned to the individual manager best able to use and control it.	<p>The annual revenue and capital budgets are allocated to Chief Officers in accordance with the service functions delegated.</p> <p>Chief Officers delegate budgets to officers within their Directorates according to their own scheme of delegation which outlines budget responsibilities for budget holders/managers.</p>	<ul style="list-style-type: none"> <li>• Financial Regulations</li> <li>• Directorate scheme of delegation</li> <li>• Financial system reports detailing the allocation of budgets</li> </ul>
10	The council prepares cash-flow forecasts on a regular basis throughout the year.	<p>Monthly and annual cash-flow forecasts are prepared and reviewed periodically in accordance with the Treasury Management Code of Practice.</p> <p>The Council employs treasury management advisors who provide reports to indicate patterns of the likely movement in future interest rates – this informs the Council’s own view on future interest rates which is used to drive the borrowing and investments strategy.</p> <p>In addition to this, certain key areas of income and expenditure – such as Pooled Budgets and Capital – are subject to detailed cash-flow profiling and monitoring.</p>	<ul style="list-style-type: none"> <li>• Spreadsheet forecasts and planning aids maintained by Financial Services Technical Section and Accountancy Section</li> <li>• Forecast reports by treasury Advisors</li> </ul>
11	* The budget reported to members includes a positive assurance statement from the chief finance officer about the robustness of estimates made for the purposes of the budget calculations, in accordance with the requirements of section 25 of the LG Act 2003.	The 2005/06 budget report to Cabinet and Council included a personal assurance statement by the Director of Financial Services in accordance with Section 25 of the Local Government Act 2003	<ul style="list-style-type: none"> <li>• Agenda and minutes of Cabinet 08/02/05</li> <li>• Agenda and minutes of Council 17/02/05</li> </ul>

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

12	* Prudential indicators are applied in assessing the affordability of capital projects.	<p>The setting of Prudential Indicators forms part of the Council's annual budget process.</p> <p>The Council's Prudential Indicators have been prepared to ensure that capital investment plans are affordable, prudent and sustainable.</p>	<ul style="list-style-type: none"> <li>• Agenda and minutes of Cabinet 08/02/05 and 09/02/04</li> <li>• Agenda and minutes of Council 17/02/05 and 19/02/04</li> </ul>
----	---	---	--

**Level 3 Criteria**

13	* Business planning is integrated with financial planning.	<p>The Council has adopted a set of Medium Term Financial Planning Framework Principles that guide the annual budget policy and are specifically linked to the Corporate Plan.</p> <p>The Councils Corporate Plan sets out the policy priorities of the Authority and how they will be delivered. The objectives embodied in the Corporate Plan are built upon in Directorate Service Performance Plans and Unit Business plans</p>	<ul style="list-style-type: none"> <li>• Medium Term Financial Plan – Framework Principles</li> <li>• Corporate Plan</li> <li>• Directorate Service Performance Plans and Unit Business Plans</li> </ul>
14	* The corporate business plan drives the medium-term financial strategy and internal resource allocation, with changes in allocations determined in accordance with policies and priorities.	<p>The Council has adopted a set of Medium Term Financial planning Framework Principles which are specifically linked to the Council's policies and priorities set out in the Corporate Plan. The objectives embodied in the Corporate Plan are built upon in Directorate Service Performance Plans.</p> <p>The funding consequences of the budget policy have been calculated in accordance with these framework principles.</p>	<ul style="list-style-type: none"> <li>• Agenda and minutes of Cabinet 20/12/04</li> <li>• Agenda and minutes of Cabinet 08/02/05 and 09/02/04</li> <li>• Corporate Plan</li> </ul>

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

			<ul style="list-style-type: none"> <li>• Directorate Service Performance Plans</li> </ul>
15	<p>The corporate business plan projects forward at least three years and takes account of each of the following:</p> <ul style="list-style-type: none"> <li>• stakeholder and partner consultation</li> <li>• external drivers, including funding variations and requirements to improve efficiency</li> <li>• capital investment plans and their revenue implications</li> <li>• risk assessments and financial contingency planning</li> <li>• sensitivity analysis</li> </ul> <p>expected developments in services.</p>	<p>The Council is currently formulating a new Corporate Plan following local elections in May 2005.</p> <p>The existing plan (2001 – 2005) takes into account the Community Strategy, Best Value Performance Plans and the Medium Term Financial Plan</p>	<ul style="list-style-type: none"> <li>• Corporate Plans: CLIMBS 1998 – 2001 PROGRESS 2001 - 2005</li> </ul>
16	<p><b>* The council's medium-term financial strategy is linked to other internal strategies/plans as appropriate, such as human resources, IT.</b></p>	<p>The Council's Corporate Plan sets out the policy priorities of the Authority and how they will be delivered. The objectives embodied in the Corporate Plan are built upon in Directorate Service Performance Plans and Unit Business Plans.</p> <p>The Best Value Performance Plan sets out how the Council's plans and priorities are linked together.</p>	<ul style="list-style-type: none"> <li>• Corporate Plan</li> <li>• Directorate Services Performance Plans and Unit Business Plans</li> <li>• Best Value Performance Plan 2005</li> </ul>
17	<p>The council's medium-term financial strategy is communicated to staff and stakeholders.</p>	<p>The Medium Term Financial Plan is included in the annual Budget Book which is published in hardcopy and on the Council's external and internal website</p>	<ul style="list-style-type: none"> <li>• The Deployment of Revenue and Capital Resources 2005/06 document is available on the Council's website</li> </ul>

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

18	<p><b>* Budgets are linked to:</b></p> <ul style="list-style-type: none"> <li>• <b>the medium-term financial strategy and high level budgets for future years within this</b></li> <li>• <b>business and activity plans</b></li> <li>• <b>risk assessments of material items of revenue and capital income and expenditure, incorporating lessons learned from previous years</b></li> </ul>	<p>In formulating the Council's budget policy a number of factors are taken into account and the inter relationship between them, which include the medium term financial planning framework principles and protecting the council's financial standing and managing risk.</p> <p>The latest financial forecasts for the annual budget and beyond are considered by members and senior officers at the Council Strategy Members Workshop, held annually at the end of September.</p>	<ul style="list-style-type: none"> <li>• Agenda and minutes of Cabinet 20/12/04</li> <li>• Agenda and minutes of Cabinet 08/02/05</li> <li>• Agenda and minutes of council 17/02/05</li> <li>• Agenda for Corporate Planning Workshop 27/09/04</li> </ul>
19	<p>The council regularly reviews financial management arrangements to ensure that they remain 'fit for purpose'.</p>	<p>The External Audit Annual management letter reports on the Council's financial management strategy and overall financial position.</p> <p>Additionally, the work of Internal Audit informs the financial management arrangements.</p> <p>The Council's constitution, which includes the policies on financial management, was reviewed during 2003. The Council is currently reviewing the constitution documentation in the light of the new organisational changes as a result of the Childrens Act.</p>	<ul style="list-style-type: none"> <li>• External Audit Management letter for 2003/04 dated 20/01/05</li> </ul>
20	<p><b>* There are project appraisals, business plans and affordability tests for new policy and capital developments.</b></p>	<p>The Corporate Asset Management Plan includes an evaluation process that all new capital bids are subject to, for inclusion in the capital programme.</p> <p>Reports concerning potential major changes in policy for service delivery are taken to Cabinet for approval, together with any relevant project appraisals, plans or affordability tests.</p>	<ul style="list-style-type: none"> <li>• Corporate Asset Management Plan</li> <li>• Agendas and minutes of all Cabinet reports</li> </ul>

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

		<p>Examples of project appraisals include:</p> <ul style="list-style-type: none"> <li>• Wyre Forest Schools reorganisation</li> <li>• Bromsgrove Schools reorganization (PFI)</li> <li>• Worcester City Library and Record Office</li> <li>• Worcestershire Hub</li> </ul>	
--	--	--	--

**Level 4 Criteria**

<b>21</b>	The medium-term financial strategy describes in financial terms joint plans agreed with partners and other stakeholders.	The Cabinet approves partnership agreements, for example, with the National Health Service agencies (Section 31 Agreements)	<ul style="list-style-type: none"> <li>• Agendas and minutes of all Cabinet reports</li> </ul>
<b>22</b>	The medium-term financial strategy models balance sheets and cash-flows over a minimum of 3 years.	Elements of the medium term financial strategy is contained within a number of different documents / plans. The Capital Programme and Statement of Prudential Indicators models the impact on cash flows and significant balance sheet areas over at least three years.	<ul style="list-style-type: none"> <li>• Medium Term Financial Plan</li> <li>• Annual Capital Programme</li> <li>• Statement of Prudential Indicators</li> <li>• Director of Financial Service's working papers and reports to Chief Officers Management Board</li> </ul>
<b>23</b>	The council identifies future developments that may impact on its financial management arrangements and proactively manages them.	<p>The Council continuously reviews, and actively challenges the Government's Revenue Support Grant distribution mechanisms. Changes in funding / legislation / targets are constantly built into the budget setting process.</p> <p>The Council also continuously scans the local and national environment with regards to service provision.</p>	<ul style="list-style-type: none"> <li>• Cabinet and Council approval of Budget Policy reports</li> <li>• Budget and Policy Framework Rules</li> <li>• External Audit management letters</li> <li>• Corporate Budget Planning workshops</li> </ul>

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

24	<p>The council monitors and can demonstrate how its financial plans and strategies have contributed to the achievement of its corporate objectives.</p>	<p>The Cabinet monitors progress against the Corporate Plan objectives on a 6 monthly basis. Financial plans and strategies underpin all the Corporate Plan objectives in some form, and overall improvements must therefore encompass financial activities.</p> <p>The Council undertook an Activity Review in 2003 to inform the 2004/05 budget process. This was updated in 2004 to inform the 2005/06 budget process.</p> <p>Additionally, the Council has commissioned a statistical analysis by CIPFA IPF to benchmark the Councils outputs which will be used in the forthcoming corporate planning workshops that will inform the 2006/07 budget process.</p>	<ul style="list-style-type: none"> <li>• Activity Review 2003, and update during 2004</li> <li>• Minutes and agendas of Cabinet and Council regarding the 2004/05, 2005/06 budget process</li> </ul>
----	---	---	--

## Worcestershire County Council Use of Resources Self Assessment Part 2 – Financial Management

<b>Key line of enquiry</b> 2.2 The council manages performance against budgets
<b>Audit Focus</b> Evidence that: <ul style="list-style-type: none"> <li>the council has arrangements in place for monitoring performance against budgets, taking corrective action where appropriate, and reporting the results to senior officers and members</li> <li>the council's financial information systems meet users' needs</li> </ul>

### Level 2 Criteria

No.	Criteria For Judgement	Management Comment	Reference to Evidence Source
25	<b>* Profiled budgets are input to the main accounting system on a timely basis, at an appropriate level of detail.</b>	Approved budgets are input to the Council's main financial system (SAP) prior to the start of each financial year. SAP is an on-line system and financial data is held in real time.  Budgets are shown at the lowest subjective level on all cost centres within Directorate services.	<ul style="list-style-type: none"> <li>SAP Financial System</li> </ul>
26	<b>* There is a formal scheme of budget delegation.</b>	The Council's Financial Regulations set out Budget Responsibilities and the delegation of budgets by Chief Officers within their Directorates.	<ul style="list-style-type: none"> <li>Financial Regulations</li> </ul>
27	<b>* There is guidance available to budget holders which includes a description of their responsibilities, an outline of the budget process, and a budget process timetable.</b>	The Code of Practice for Principal Finance Officers and their Staff sets out the process for budget preparation and budget monitoring, and the involvement of operational staff in this process.  A budget timetable is issued to Principal Finance Officers.	<ul style="list-style-type: none"> <li>Code of Practice for Principal Finance Officers</li> <li>Budget timetable and deadlines</li> <li>Budget Holders Manual</li> </ul>

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

		Specific advice has been given to budget holders (eg a Budget Holders Manual issued to Educational Services Directorate budget holders)	
28	<b>* Budgets are approved before the start of the year and monitored regularly throughout the year.</b>	The Councils budget is approved in February before the start of the financial year.  Regular budget monitoring reports are included in the Director of Financial Services "Money Matters" report to Cabinet.	<ul style="list-style-type: none"> <li>• Agenda and minutes of Council 17/02/05</li> <li>• Agenda and minutes of Cabinet meetings 2004/05</li> </ul>
29	<b>* Action plans are developed when a material variance arises or a deficit is forecast.</b>	Directorate Management Teams receive monthly budget monitoring reports and take appropriate action to ensure budget variations are contained within the Directorate budget.	<ul style="list-style-type: none"> <li>• DMT Agenda</li> </ul>
30	<b>* The appropriate member committee receives budget monitoring information that is accurate, relevant, understandable and consistent with underlying records, and data is as up to date as possible when reported.</b>	The Director of Financial Services produces regular budget monitoring reports in his "Money Matters" report to Cabinet.	<ul style="list-style-type: none"> <li>• Agenda and minutes of Cabinet meetings 2004/05</li> </ul>
31	<b>* Relevant non-financial and financial information, in addition to the budget, is reported to and used by senior officers.</b>	Key Operational Statistics are reported in the Annual Budget Book.  Best Value Performance Indicators are reported quarterly to COMB and annually in the Best Value Performance Plan.  Non-financial data used to inform the annual Corporate Planning Workshop.	<ul style="list-style-type: none"> <li>• Deployment of Revenue and Capital Resources 2005/06</li> <li>• Best Value Performance Plan 2005</li> <li>• Agenda for Corporate Planning Workshop 27/09/05</li> </ul>

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

32	<p><b>* There is a line of professional accountability between those with principal functional responsibility for finance within business groups and the chief finance officer, to ensure compliance with professional standards and objectivity of advice on financial matters.</b></p>	<p>The Director of Financial Services is the Officer with responsibility for the proper administration of financial affairs of the Council in accordance with Section 151 of the LG Act 1972. Chief Officers are responsible for the operation of the financial procedures within their Directorates. They ensure that staff are aware of and comply with Financial Regulations.</p> <p>The Code of Practice for Principal Finance Officers and their staff, endorsed by COMB, sets out the way in which PFO's and their staff are expected to carry out their duties for the benefit of services and the Authority as a whole.</p> <p>The Code covers the management of service finances and maintenance of professional standards and accountability.</p>	<ul style="list-style-type: none"> <li>• Financial Regulations</li> <li>• Code of Practice for Principal Finance Officers and their Staff</li> </ul>
33	<p><b>* The budget shows the resources allocated to major spending activities and programmes, with user-friendly summaries, and separate identification of revenue and capital items to ensure focus on use of resources.</b></p>	<p>The annual budget book (Deployment of Revenue and Capital Resources) sets out in detail the approved budget by Directorate and operational services for revenue and by Directorate for individual capital schemes.</p>	<ul style="list-style-type: none"> <li>• Deployment of Revenue and Capital Resources 2005/06</li> </ul>
34	<p><b>* The council regularly tests its financial systems to ensure that their processes are secure.</b></p>	<p>The Council's Internal Audit Plan includes audit testing of the transactions and controls of the financial system.</p> <p>Additionally, the Council has in the past commissioned it's external auditors to complete a specific and robust audit of the controls of the financial system. The Council is currently engaging it's external auditors to examine the controls of the financial system provider Serco – in so far as they impact on the Councils system.</p>	<ul style="list-style-type: none"> <li>• Internal and External Audit Plans</li> <li>• PwC's final accounts working papers</li> <li>• Previous system reports by PwC</li> </ul>

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

		The Council regularly undertakes it's own systems tests, such as reporting checks, general ledger integrity, and ensuring that User Roles are properly maintained and allocated to the correct employees.	
35	<b>* Where any significant departmental overspends have occurred they have been managed with no adverse impact on service delivery.</b>	Margins of safety are retained in year for demand led budgets. The adequacy of general balances and specific reserves are kept under review to ensure the Council has the flexibility to manage adverse budget variances as they arise.	<ul style="list-style-type: none"> <li>• Agenda and minutes of Cabinet 8/02/05</li> <li>• Agenda and minutes of Cabinet 20/06/05</li> </ul>
36	The financial performance of significant partnerships is regularly reviewed, linked to outputs, and the results shared with partners and acted upon.	<p>Section 31 agreements in place with Health for service provision with related pooled budgets.</p> <p>Joint Social Care and Health monthly financial monitoring statements are produced and reported to relevant managers.</p>	<ul style="list-style-type: none"> <li>• S31 Agreements 2005/06 and 2004/05</li> <li>• Agenda and minutes of reporting bodies, e.g. Learning Disability Commissioning and Finance Group 25/07/05</li> </ul>

**Level 3 Criteria**

37	The council's financial information systems have flexible reporting tools to enable specialist reports to be designed.	<p>The council's financial information system (SAP) has been developed to provide a comprehensive set of reports that enable data to be manipulated on line or downloaded in EXCEL in a variety of ways to meet user requirements.</p> <p>In addition to this, the Council has the facility to create bespoke reporting tools to meet individual users needs.</p>	<ul style="list-style-type: none"> <li>• Financial Services Intranet webpage – SAP</li> <li>• Internal and External Audit report working papers</li> </ul>
----	--	---	--

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

38	The council produces accurate profiled financial monitoring reports for all budget holders within ten working days of the month end.	The Council's financial system (SAP) is an on line system and enables budget monitoring reports to be available in real time. All users of the financial system can run reports.  Budget monitoring reports are produced at the month end for Directorate Management Teams and budget holders.	<ul style="list-style-type: none"> <li>• Financial System (SAP)</li> <li>• Directorate budget monitoring reports</li> </ul>
39	There is a regular training programme providing training on financial issues for members and non-finance staff.	A comprehensive set of over 300 financial training notes on the functionality and use of SAP are available to all users on Financial Services intranet web page.  Regular SAP training is carried out in a dedicated training suite.  Member seminars are held during the budget setting process in order that the context of the budget and policy planning can be understood.	<ul style="list-style-type: none"> <li>• SAP financial training notes</li> <li>• Members budget seminar presentation material</li> <li>• Directors monthly bulletins</li> <li>• On-line internal access to all Codes and Practise and the CIPFA Councillors Guide to Local Government</li> </ul>
40	<b>* Relevant non-financial and financial information, in addition to the budget, is reported to members and acted upon.</b>	Non-financial and financial information in the form of Best Value Performance Indicators is included in the Best Value Performance Plan (BVPP) for approval by Council and publication on 30 June each year.  The BVPI's provide a detailed overview of our current performance and future targets in relation to a whole range of Council services and corporate performance.  "Money Matters" reports to Cabinet report on financial issues facing the County Council and the appropriate action required.	<ul style="list-style-type: none"> <li>• Best Value Performance Plan</li> <li>• Agenda and minutes of Cabinet reports 2004/05</li> </ul>
41	<b>* The council uses agreed processes to</b>	The Council's Financial Regulations determine the approval	<ul style="list-style-type: none"> <li>• Financial Regulations</li> </ul>

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

	<b>adjust and approve budgets in year if major programmes are varied by more than pre-set tolerances.</b>	required to re-deploy revenue or capital resources (virement) during a financial year.  Budget virement is reported to Cabinet in accordance with these regulations.	<ul style="list-style-type: none"> <li>• “Money Matters” reports to Cabinet</li> </ul>
42	<b>The council’s budget monitoring is:</b> <ul style="list-style-type: none"> <li>• predictive rather than backward looking</li> <li>• focused on large, high risk or volatile budgets</li> <li>• related to operational activity indicators that are lead indicators of spend and</li> <li>• informed by a risk assessment.</li> </ul>	The Director of Financial Services produces regular budget monitoring reports within the “Money Matters” reports to Cabinet. The report identifies significant budget variations and focuses on demand led services, forecasting the likely outturn position at the year end and identifying any action required to ensure overall spending remains within budget.  Directorates identify key operational indicators and risks that inform the budget monitoring process.	<ul style="list-style-type: none"> <li>• “Money Matters” reports to Cabinet</li> <li>• Directorate life or death indicators</li> </ul>
43	<b>* Progress in achieving planned savings and efficiency gains is regularly reported to senior management with developed action plans.</b>	Planned savings incorporated in the Budget are routinely monitored as part of the budget monitoring process.  Efficiency gains will be monitored as part of the Annual Efficiency Statement monitoring process.	<ul style="list-style-type: none"> <li>• Budget monitoring reports to Directorate Management Teams.</li> <li>• Procurement Code</li> <li>• AES mid-year monitoring</li> </ul>
44	<b>* No significant departmental overspends/under-spends have occurred.</b>	No significant variations have occurred during 2004/05 and the financial results show that revenue spending by Directorates was within overall operating cash limits.	<ul style="list-style-type: none"> <li>• Agenda and minutes of Cabinet 20/06/05</li> </ul>

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

**Level 4 Criteria**

<p><b>45</b></p>	<p>The council ensures through regular testing of its financial systems that the report outputs are timely, accurate, reliable, clear, in a convenient format (hard copy and online, in summary and in detail, as appropriate) and readily understood by their recipients.</p>	<p>All users of the financial system have access to run real-time reports and this is encouraged.</p> <p>There is a regular ongoing programme of financial system training, and the Council has access to create bespoke reports to suit individual users needs.</p> <p>The financial system includes the use of commitment accounting, budget profiling and offers a full drill down facility to enable users to view a scanned image of a source document.</p> <p>An ongoing feeder modernisation programme has enhanced the data that is held in the financial system.</p> <p>Where budget managers do not have access to the financial system, bespoke reports have been made available online (eg Schools reports – which has had over 2000 'hits' on this web page last month)</p> <p>Both Internal and External Auditors had access to the financial system to run their own reports / tests.</p> <p>Periodic testing is undertaken to ensure the integrity of the objective and subjective reporting hierarchy.</p>	<ul style="list-style-type: none"> <li>• Internal and External audit working papers regarding budgetary control / monitoring</li> <li>• External Auditors working papers on Interim and Final Accounts audit</li> </ul>
<p><b>46</b></p>	<p>There is a 'traffic light' system (or similar) in place to focus the Executive on key variances, and there is evidence that these are acted upon.</p>	<p>The Overview and Scrutiny Steering Group receives reports on Life or Death Indicators and Best Value Performance Indicators that uses a 'smiley face' system to identify key variances.</p>	<ul style="list-style-type: none"> <li>• Cabinet minutes and agendas</li> <li>• Scrutiny Steering Group minutes and agendas</li> </ul>

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

		<p>Cabinet has received monitoring reports on the Corporate Plan using a 'square, circle, star' system to identify key issues.</p> <p>The Risk Management Strategy is taken to Cabinet and includes a colour coded system to rank key risks – monitoring is undertaken at Chief Officer Management Board.</p> <p>Money Matters reports that are taken to Cabinet report key variances by exception, giving full weighting and focus to the emerging issues.</p>	<ul style="list-style-type: none"> <li>• Risk management strategy</li> <li>• COMB minutes</li> </ul>
<b>47</b>	The Executive receives fully accrued financial monitoring reports on a quarterly basis including appropriate revenue account and balance sheet items.	Every Cabinet meeting receives a Money Matters report reflecting the current and predicted financial circumstances of the Council.	<ul style="list-style-type: none"> <li>• Cabinet minutes and agendas</li> </ul>
<b>48</b>	The council consults with, advises and trains users so that it develops and provides the financial information systems to meet their needs.	<p>Each Directorate has a team of dedicated staff who support users of the financial system. This includes user training on procedures and reporting. Through the support teams, systems development ideas are brought to the attention of the central financial systems team.</p> <p>A recent development, instigated by local budget managers, has been the introduction of a time management and costing system to charge staff time to individual projects.</p>	<ul style="list-style-type: none"> <li>• System training notes</li> <li>• CATS Time Management System add-on to the financial system</li> <li>• Financial Services Internal web pages enables online access to:- Financial System training and procedural notes Accounting and Best Value Codes of Practice Internal Audit Manual CIPFA's Councillor's Guide to Local Government Finance</li> </ul>

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

			<p>Anti – Fraud and Corruption Strategy Procurement Code Director of Financial Services Daily Bulletins</p>
49	<p>Savings and efficiency gains are profiled over the year and there is monitoring throughout the period by members to ensure their achievement.</p>	<p>All budgets are monitored on an outturn forecast basis, with accurate predictions made of key variances to budget. Variances are considered monthly by Departmental Management Teams, and major variances are included in Money Matters reports to every meeting of Cabinet.</p>	<ul style="list-style-type: none"> <li>• Cabinet minutes and agendas</li> <li>• Department Management Team minutes</li> <li>• Internal and External Auditors relevant working papers</li> <li>• Annual Efficiency Statement monitoring</li> <li>• Procurement Strategy progress reports</li> </ul>

## Worcestershire County Council Use of Resources Self Assessment Part 2 – Financial Management

<b>Key line of enquiry</b> 2.3 The council manages its asset base
<b>Audit Focus</b>
Evidence that: <ul style="list-style-type: none"> <li>the council has a capital strategy and fixed asset management plan</li> <li>the council reports to members on asset management</li> </ul>

### Level 2 Criteria

No.	Criteria For Judgement	Management Comment	Reference to Evidence Source
50	<b>* The council has an up to date corporate capital strategy linked to its corporate objectives and medium-term financial strategy.</b>	The Council's Capital Investment Strategy sets out the corporate capital investment objectives and principles that underpin the development of its capital programme.  The Asset Management Plan and financing strategy form part of the Medium Term Financial Planning process.	<ul style="list-style-type: none"> <li>Corporate Asset Management Plan</li> <li>Capital Investment Strategy</li> <li>Medium Term Financial Plan</li> </ul>
51	<b>* The council has an up to date asset management plan that details existing asset management arrangements and outcomes, and planned action to improve corporate asset use.</b>	The Corporate Asset Management Plan sets out the capital investment strategy, the capital planning process and the organisational arrangements for corporate asset management planning	<ul style="list-style-type: none"> <li>Corporate Asset Management Plan</li> </ul>
52	<b>* The council maintains an up to date asset register.</b>	The Council maintains an up to date asset register.	<ul style="list-style-type: none"> <li>Asset Register</li> </ul>
53	<b>* The council has a designated corporate property function.</b>	The Council has a designated corporate property function within the Corporate Services Directorate. The Corporate Property Officer is the Head of Property Services.	<ul style="list-style-type: none"> <li>Corporate Asset Management Plan</li> </ul>

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

		The Corporate Asset Management Plan defines the roles and responsibilities of the Corporate Property Officer	
54	<b>* The council's arrangements for reporting to members are sufficient to ensure that they fulfil their responsibility in relation to the council's land and buildings portfolio at both a strategic and service level.</b>	<p>The Corporate Property Officer (Head of Property Services) has a direct link through to the Cabinet Member with responsibility for Corporate Services. Regular (two monthly) meetings are held with the Cabinet Member for Corporate Services.</p> <p>The organisational arrangements for corporate asset management planning set out the reporting lines and channels of communication to ensure that all appropriate stakeholders have an input into strategic property issues, and that Chief Officers and members are kept informed.</p> <p>The overall objective of the Corporate Property strategy Group (CPSG) is to review the performance of, and to provide strategic management for, the Authority's property portfolio. The CPSG reports directly to COMB, and via COMB to Members.</p> <p>As part of the annual budget setting process a draft capital programme is prepared for consideration by COMB who consult with key portfolio holders before agreeing a draft programme for approval by Cabinet and Council.</p>	<ul style="list-style-type: none"> <li>• Corporate Asset Management Plan</li> <li>• Agenda and minutes of Cabinet 08/02/05</li> <li>• Agenda and minutes of Council 17/02/05</li> </ul>
55	<b>* The council has an annual programme of planned maintenance based on a rolling programme of property surveys.</b>	<p>The annual revenue budget provides a base budget for the planned maintenance of council properties.</p> <p>The programme of planned maintenance is determined by a five year rolling programme of condition surveys summarised on Asset Management Plans.</p>	<ul style="list-style-type: none"> <li>• Deployment of Revenue and Capital Resources (Budget Book)</li> <li>• Asset Management Plans</li> </ul>

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

		Asset Management Plan data is used to inform spending decisions on the Council's property portfolio.	
56	<b>* The council has assessed the level of backlog maintenance.</b>	Asset Management Plans (AMPs) measure performance in terms of building condition, suitability, sufficiency, and efficiency of usage. The backlog of maintenance is summarised following the preparation of AMPs.	<ul style="list-style-type: none"> <li>• Asset Management Plans</li> <li>• Property Best Value review 2004</li> </ul>
57	<b>* The council's capital programme gives priority to potential capital projects based on a formal, objective approval process.</b>	<p>As part of the capital planning process all schemes included in the Council's capital programme have been subject to a self-assessment process enabling each scheme to be objectively evaluated against criteria based on:</p> <ul style="list-style-type: none"> <li>• Corporate priorities</li> <li>• Service Development Plans, Community Plans, Joint Plans prepared with partners</li> <li>• Asset Management Plans</li> <li>• Financial Assessment</li> <li>• Risk Management</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Asset Management Plan</li> <li>• Corporate Property Strategy Group minutes</li> </ul>

**Level 3 Criteria**

58	A member has been allocated portfolio responsibility for the council's fixed assets.	A Cabinet Member has responsibility for Corporate Services which includes Property Services. Currently Stephen Clee (previously Adrian Hardman)	<ul style="list-style-type: none"> <li>• Council agenda and minutes 26/05/05</li> </ul>
59	<b>* There is a plan in place to reduce the level of backlog maintenance and this has been approved by members.</b>	The Council has a policy of significant capital investment to reduce the level of backlog maintenance. As a result of this policy a number of major schemes have been carried out or are planned as part of the Council's approved capital	<ul style="list-style-type: none"> <li>• Agenda and minutes of Cabinet 08/02/05</li> <li>• Agenda and minutes of Cabinet</li> </ul>

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

		<p>programme as follows:</p> <ul style="list-style-type: none"> <li>• Redditch Schools Reorganisation</li> <li>• Hagley Schools Review</li> <li>• Bromsgrove Schools Reorganisation (PFI)</li> <li>• Wyre Forest Schools Reorganisation</li> <li>• Office Rationalisation Programme</li> <li>•</li> </ul>	<p>17/02/05</p> <ul style="list-style-type: none"> <li>• Office Rationalisation Programme</li> </ul>
60	<p>The council has developed a set of local performance measures in relation to assets that link asset use to corporate objectives.</p>	<p>The membership of a number of benchmarking clubs (COPROP/CIPFA as well as via the various professional bodies and less formal arrangements between individual local authorities) has enabled the development of a number of local performance indicators. This provides information about performance of individual property usage.</p> <p>The development of Service Asset Strategies will strengthen understanding the performance of the estate.</p>	<ul style="list-style-type: none"> <li>• Property Audit Report</li> </ul>
61	<p><b>* The council makes investment and disposal decisions based on thorough option appraisal and whole life costing.</b></p>	<p>The process of making investment and disposal decisions based on thorough option appraisal and whole life costing has been adopted and rolled out. For example:</p> <ul style="list-style-type: none"> <li>• Redditch Schools Reorganisation</li> <li>• Bromsgrove Schools Reorganisation (PFI)</li> <li>• Worcestershire Hub</li> <li>• Wyre Forest Schools Review</li> <li>• Worcester Library and Record Office</li> </ul>	<ul style="list-style-type: none"> <li>• Option appraisal working papers</li> <li>• Cabinet Reports</li> </ul>

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

Level 4 Criteria			
62	Performance measures and benchmarking are being used to describe and evaluate how the council's asset base contributes to the achievement of corporate and service objectives, including improvement priorities.	<p>Building Research Establishment Assessment Method (BREEAM) is being applied to major projects to provide <b>sustainability targets</b>, benchmarking, and the application of design principles to smaller projects.</p> <p>The development of Service Asset Strategies will evaluate performance in terms of the ability of assets to support and enhance service delivery.</p> <p>The aim is to develop a property strategy to meet service needs going forward.</p>	<ul style="list-style-type: none"> <li>• BREEAM applied to Haybridge High School, Hagley capital project and will be applied to the Wyre Forest Schools Review and the scheme at the Chase Technology College, Malvern.</li> <li>• Development of Service Asset Strategies – e.g. progress reports over the last 18 months in Social Services to reduce fragmented administrative office base from 21 properties to 3</li> </ul>
63	The results of performance measurement and benchmarking are communicated to stakeholders where relevant.	The development of Service Asset Strategies and the Annual Property Audit is an inclusive process. Without the involvement of stakeholders the assessment of performance becomes irrelevant.	<ul style="list-style-type: none"> <li>• Property Audit Report</li> <li>• Development of Service Asset Strategies</li> </ul>
64	The council has developed an approach for the co-ordination of asset management information and its integration with relevant organisational financial information.	<p>The Council's Capital Investment Strategy (CIS) sets out the corporate capital investment objectives and principles that underpin the development of its capital programme. The CIS has been developed to reflect the underlying corporate aims and policy priorities of the Authority.</p> <p>Information relating to Asset Management Plans together with the full financial impact of proposals, (both revenue and capital), are key factors in evaluating projects before they</p>	<ul style="list-style-type: none"> <li>• Corporate Plan</li> <li>• Medium Term Financial Plan</li> <li>• Corporate Asset Management Plan</li> <li>• Capital Investment Strategy</li> <li>• Service Performance Plans</li> </ul>

**Worcestershire County Council  
Use of Resources Self Assessment  
Part 2 – Financial Management**

		<p>can be included in the capital programme.</p> <p>The Asset Management Plan, Medium Term Financial Plan, Service Performance Plans and the Corporate Plan are inextricably linked with regard to the management of the Authorities Assets.</p> <p>Asset management has been included in the topics for scrutiny at the Corporate Strategy Members Workshop during September 2003 and 2005</p>	<ul style="list-style-type: none"> <li>• Property Best Value Review</li> <li>• Property Audit Report</li> <li>• Working papers of the Corporate Planning Workshops 2003 and 2004</li> </ul>
--	--	---	---