

Annual Letter

Bury Metropolitan Borough Council

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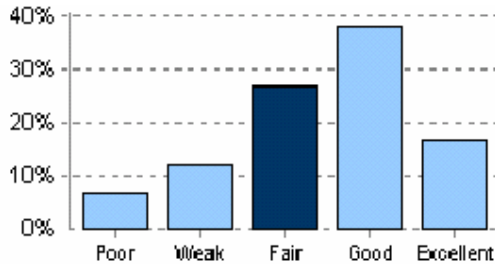
- Reports issued during 2003

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Key messages

Comprehensive Performance Assessment

Bury Metropolitan Borough Council has made significant improvements to services over the last year and **is the most improved Council in the country**. The Council has been measured as "fair" in the way that it serves its local people. The chart below shows the share of Councils with this rating.



- overall service performance at December 2003 increased to **3** out of a possible 4.
- the way the Council is run was judged to measure **2** out of 4 in December 2002.

The Council has improved the way it works and this has led to better services and to improvements to the systems it uses to measure performance and to plan and prioritise services.

Independent reviews have shown improvements in education, social services, benefits, housing and cultural services.

Based on Bury MBC's current plans, the Council is well placed to further improve the way it works and the services it provides to local people.

Further progress is planned as Bury seeks to:

- further refine the performance management framework in year two and streamline the service development plans accordingly
- build on the learning from the pilot project management programme to promote and expand the use of the new system
- complete implementation of the risk management work
- further develop policy led budgets utilising the medium term financial strategy
- continue work on developing an outcomes based performance framework using 'measuring what matters' and user focus
- progress the ongoing and significant planned Information Technology developments

- extend Investors in People accreditation to all departments by May 2004.

Best Value Performance Indicators (BVPIs)

We made just one reservation in respect of the BVPIs. However, we encourage the Authority to continue to improve its processes for producing the BVPIs.

Sickness absence

Whilst sickness absence levels reduced slightly in 2002/2003 following improved practices at Bury, they remain comparatively high at 13.2 days per full time equivalent employee. Action to reduce levels further remains a priority for the Council.

Accounts

We gave an unqualified audit opinion on the 2002/2003 accounts on 15 December 2003. The accounts were produced two months earlier than previous years, which places the Council in a good position as the statutory deadlines requiring earlier closure are implemented. We have agreed with officers a number of areas where the qualitative aspects of accounting practices and financial reporting should be improved and will work with the Council to achieve this.

Financial standing

Again the Council has continued to take action to ensure its expenditure is maintained within approved budgets. However, ongoing budget pressures mean that continued strong financial management is necessary for this current sound position to be maintained and the planned service developments to be implemented.

Bury is seeking to manage pressures evident from the Social Services budget. Bury must continue to address the complex needs of Social Services whilst preparing the wider 2004/2005 budget.

Risk management

Considerable progress has been made in developing risk management and risks are considered in Committee Agenda papers. However, the risk register and management use of it remains under development. We encourage you to complete the planned developments.

The purpose of this Letter

This is our first joint audit and inspection 'Annual Letter' for Members. The Letter summarises the conclusions and significant issues arising from our audit and inspection programme during 2003 and comments on other current issues. Reports have been produced and discussions held with officers during the year on specific aspects of our work.

To ensure that Councils receive a tailored seamless service, integrated with the work of other inspectorates, the Audit Commission has appointed a Relationship Manager for each Council. The Relationship Manager is the Commission's primary point of contact with you and is also the interface between the Audit Commission and the other inspectorates, Government Office and other key stakeholders. In Bury Metropolitan Borough Council (Bury), the Relationship Manager is also the appointed District Auditor (Clive Portman).

Auditor's responsibilities are summarised in the Audit Commission's statement of key responsibilities of auditors. The responsibilities of Audit Commission Inspectors are detailed in Section 10 of the Local Government Act 1999. What we say in this letter should be viewed in the context of that more formal background.

Objectives of audit and inspection: Audit

Our main objective as your appointed auditor is to plan and carry out an audit that meets the requirements of the Code of Audit Practice. We adopt a risk-based approach to planning our audit, and our audit work has focused on your significant financial and operational risks that are relevant to our audit responsibilities.

Central to our audit are your corporate governance arrangements. Our audit is then structured around the three elements of our responsibilities as set out in the Code and shown in Exhibit 1.

EXHIBIT 1: AUDIT OBJECTIVES

The three main elements of our audit objectives



Performance management

- Use of resources
- Performance information
- Best Value Performance Plan

Accounts

- Opinion

Financial aspects of corporate governance

- Financial standing
- Legality of transactions.
- Systems of internal financial control
- Standards of financial conduct & the prevention and detection of fraud and corruption.

The 2002/2003 audit programme was transitional, as the Audit Commission changed the audit year to align it with the inspection year of April to March, so that the audit and inspection programmes are better coordinated.

Inspection

We are required to carry out inspections and deliver reports that will enable:

- the Council and the public to judge whether best value is being delivered
- the Council to assess how well it is doing
- the Government to assess how well its policies are being implemented
- failing services to be identified, where remedial action may be necessary.

Council performance

Bury Metropolitan Borough Council has been measured as "fair" in the way that it serves its local people. Bury Metropolitan Borough Council has made significant improvements to services over the last year and is the most improved Council in the country.

- overall service performance at December 2003 increased to **3** out of a possible 4.
- the way the Council is run was judged to measure **2** out of 4 in December 2002.

The Council has improved the way it works and this has led to better services and to improvements to the systems it uses to measure performance and to plan and prioritise services.

Independent reviews have shown improvements in education, social services, benefits, housing and cultural services.

Based on Bury MBC's current plans, the Council is well placed to further improve the way it works and the services it provides to local people.

CPA Improvement Report

The Audit Commission's role in Comprehensive Performance Assessment (CPA) is to form a scored judgement on the performance and proven corporate capacity of Local Authorities. The combination of these scores results in Authorities being placed in one of five categories (excellent, good, fair, weak and poor).

Updated judgements for all single tier and county councils were published by the Audit Commission in a 'balanced scorecard' on 18 December 2003. The results of Bury's assessment follow.

A clear purpose behind CPA is to encourage Authorities to improve service delivery. To this end, the 2003 CPA update has included an assessment of the Council's progress against their own agenda for improvement and our findings, as summarised on the published scorecard, are outlined in more detail in the paragraphs that follow.

We have drawn on the Authority's assessment of its progress on its improvement programme, its Best Value Performance Plan, inspection results and other ongoing experiences of the Authority.

Achievements in service performance

Bury's overall service performance has improved for each of the key areas on the scorecard.

Core service performance is assessed by a summation of results from various inspectorates and government, including OFSTED, Social Services Inspectorate (SSI), Benefits Fraud Inspectorate (BFI), and ourselves. A marking scale of one to four is used where four is highest and one is lowest performance. Education and social care are given more importance in reaching the overall service score than other areas.

Exhibit 2 shows the main service components and the relevant scores for Bury and the achieved improvement year on year.

EXHIBIT 2: SERVICE SCORES

CPA Elements	Assessment 2003	Previous Score 2002
	Maximum 4	Maximum 4
Education	4	3
Social care -adults	2	2
-children	3	3
Environment	2	1
Housing	2	1
Libraries and leisure	3	3
Benefits	3	2
Use of resources	4	3
Overall service	3	2

Education

The performance of the LEA has improved since it was last inspected.

In January 2003, four years after its initial inspection, OFSTED carried out a scheduled reassessment of the Local Education Authority (LEA). As a result, OFSTED improved their assessment of the LEA. The OFSTED public report says:

"Pupils in Bury schools consistently achieve standards above the national averages at all key stages. Given the average socio economic context and very low levels of funding, this is a notable achievement that reflects credit on pupils, schools and the LEA alike. The LEA strives for excellence and elected Members and senior officers have high expectations which are translated into high education targets.....

"...The education service continues to be an effective organisation. It is very well led, has a distinctive ethos and clear principles, and has developed very good relationships with its schools and other partners. The quality of planning is good and monitoring and evaluation are strengths of this LEA. The quality of data produced by the LEA is excellent. This underpins the LEA's strategy to develop self-evaluating schools and is a model of good practice".

Notwithstanding this significant improvement, the following key areas are noted by OFSTED for ongoing improvement:

EXHIBIT 3: OFSTED REPORT

LEA functions not performing satisfactorily (OFSTED)

- Support for looked after children
- Support for gifted and talented children

Other issues to address identified by (OFSTED)

- Use data to challenge high number of secondary school exclusions
- Pupil teacher ratios are high and accommodation and teaching resources are often unsatisfactory

Bury developed its OFSTED action plan and published it in July 2003. Progress is being regularly reviewed and monitored.

Social Services

The SSI Annual Performance Rating for Social Services has improved from one to two stars out of a possible three, which shows capacity for future improvement, although the summary CPA scores for Social Services year on year are the same. The service is now well placed to achieve further improvement.

The SSI consider an increased capacity to improve had been demonstrated by the Council's social care senior management team providing leadership and a focus for action leading to improvements in processes.

Key service developments have included:

- modernising older peoples services by reconfiguring residential home provision and developing intermediate home care
- successfully integrating mental health services with the NHS
- highly regarded training input to childrens services, evidenced by the inspection of childrens services and the Victoria Climbié inspection.

The SSI have identified the Council is still developing its corporate strategy for older people.

Housing

The Housing Rents service performance has improved, as evidenced from the results of the re-inspection.

An inspection of the Rent Collection service in 2002 found the service to be a poor zero star service but with promising prospects for improvement. The service was re-assessed in 2003 as a "Good" two star service where:

- positive action had been taken to address most of the key weaknesses found in 2002, and
- a well managed service improvement plan ensured that all inspection recommendations had been implemented.

Some of the key recommendations are:

EXHIBIT 4: HOUSING RENT INSPECTION

Some of the key recommendations

- set targets that are specific, measurable, challenging with top quartile performance as a strategic objective
- ensure policies are consistently applied and reviewed regularly with all stakeholders
- establish customer satisfaction monitoring of all aspects of service
- review with customers the provision of an out of normal hours rent account advice service

According to the trends shown in the housing performance indicators, we note that there has been an improvement in the past year in the services provided by the housing department.

One example is a reduction in void property turn round time from around 12 to 6 weeks with the added benefit of reducing the loss of rental income and vandalism repair costs in the void period.

Bury have plans to establish an Arms Length Management Organisation (ALMO). There are several challenges preparing for the inspection necessary to achieve ALMO status requiring strong project management. At present we are working with officers at Bury to provide support through this process.

Cultural services

A whole service inspection of Cultural services found them to be a "Good" two star service with promising prospects for improvement, an improvement from one star.

The inspection found culture to be a top priority for Bury. In most areas obvious and significant service improvements had been achieved and customer satisfaction had increased. The Council had attracted investment from the public and private sector and received £900,000 Heritage Lottery Fund towards the development of a new museum and archive centre.

However slow delivery of some cultural projects was a problem in the past and the council needs to guard against this in the future.

Corporate Processes

After the 2002 corporate assessment, an improvement programme was developed by the Council which identified key improvement areas:

- Performance
- ICT
- Risk management
- Customer contact
- Policy led budgeting
- Human resources
- Organisational development
- Procurement
- Performance reviews.

More recently, the whole improvement programme and the considerable progress on key priorities were reported by officers to the Members Performance Management Scrutiny Panel:

"Good sustained progress has been made on all areas although some aspects are developing more quickly than others".

The Council is now beginning to refocus priorities for the future.

Performance management

The 2002 corporate assessment recommended that Bury ensure that the performance management system is used to deliver improvements in services and in priority areas. Ongoing steps are being taken to embed performance management in all its forms.

This is evidenced by regular monitoring and driving forward of the improvement programme.

In addition, officer and Member attention has been focused on key Performance Indicators and improvement in their supporting systems and improvements in performance are evident:

EXHIBIT 5: PERFORMANCE INDICATORS

PI improvement (to be confirmed by AC)

- 80% of Bury's PIs have improved
- 51% are in top half of PIs nationally

Personal performance management has also developed. Investors in People (IIP) assessors from a recent accreditation visit to Chief Executives Department reported:

"Employee reviews are linked to service delivery plans and provide good organisational focus.....The format of the action plan resulting from the employee review is clear, providing a framework for identifying training needs and some reviewing of performance".

Ambition, focus, priorities and plans

The Council has strong ambitions to improve and to be the most improved Council. It has recently entered itself for the Local Government Chronicle Most Improved Council Award. The 2002 CPA results were a catalyst to give focus and momentum to existing plans. Council priorities and service plans have been realigned and are monitored as part of the regular performance management of the Authority. This clearer focus has helped to deliver some of the service achievements noted.

The Council intend that future plans will reflect this progress and the ongoing change in priorities.

Capacity investment and learning

Time, energy, enthusiasm and resources have been put into developing capacity. A training programme on performance management, using much of the Audit Commission work on 'Performance Breakthrough Model', has been instigated and progressed. Locally we have been involved in some facilitation to help progress the improvement programme. Bespoke management training has now been arranged and implemented, supported by finance from the Office of the Deputy Prime Minister (ODPM) as a national pilot of this approach.

In addition, training has been given on several key developments in Bury's corporate systems:

- project planning system
- new procurement strategy.

Bury has also sought help and advice from other sources of good practice such as the Audit Commission, inspectors of key services, other Authorities and ODPM.

Other achievements

Other inspections currently outside the CPA framework have shown similar capacity for improvement and good performance, most recently the Supporting People Inspection which was rated as a "good" service showing "promising prospects for improvement". Supporting People is nationally a new service development, so the result is also an indication of how Bury's improved management processes are addressing new challenges. The inspection report notes positive outcomes for service users are beginning to be realised as a result of the programme. A range of ongoing areas for improvement are noted alongside what is already working well.

Other specific achievements of the Council include:

- customer care charter produced and over 400 managers were briefed. A CD Rom supported the cascade of the messages from the managers
- successful partnership and community work, such as Area Boards in the six townships
- effective health partnership work in:
 - learning disability services pooled budget
 - hospital discharge arrangements
 - integrated mental health services
- improvement in the issue of special needs statements so that all are issued within national timescale targets
- early indications show an increase in recycling performance following a £600,000 investment in waste collection facilities
- development and implementation of a good practice guide for the Scrutiny Panels.

Future development

Further progress is planned as Bury seeks to:

- further refine the performance management framework in year two and streamline the service development plans accordingly
- build on the learning from the pilot project management programme to promote and expand the use of the new system
- complete implementation of the risk management work

- further develop policy led budgets utilising the medium term financial strategy
- continue work on developing an outcomes based performance framework using 'measuring what matters' and user focus
- progress the ongoing and significant planned Information Technology developments
- extend Investors in People accreditation to all departments by May 2004.

Looking to the future

Bury is committed to its improvement programme. An open and enthusiastic attitude is evident. The Authority has developed an ability to seek and ask for help, listen and learn and all of these have driven the improvement programme along. The Authority recognises they have areas to work on to continue to improve and to build on this year's momentum. Based on its current plans the Council is well placed to deliver this.

Bury has asked for an updated corporate assessment by the Audit Commission in February 2004, where improvement in relation to corporate activities will be re-assessed.

Future of CPA

The Audit Commission is consulting on the future arrangements for CPA and is recommending that it will be developed by:

- The introduction of a new CPA framework in 2005/2006 and again in 2010, that enables assessments to be made in the context of an agreed set of local and national policy priorities
- The release of annual improvement reports in December 2003 and December 2004.

The CPA programme from January 2005 will seek to understand the impact of the Council in their locality, and to recognise the leverage, co-ordination and leadership which the Council provides to achieve a wider improvement agenda. The precise shape and nature of this approach has yet to be finalised, though the Commission has recognised the need to agree the strategy for improvement reporting after 2004, leading up to a further re-assessment from 2010.

Best Value

Bury's approach and commitment to Best Value continued to develop during the year with improvements to processes, follow up procedures and completion of Best Value Reviews and action plan monitoring.

Performance Plan

Our audit opinion on the 2003/2004 Best Value Performance Plan was unqualified and we made no statutory recommendations. The Plan's content was improved from the previous year, and complied with the contents requirements. The Plan was successfully published by the 30 June 2003.

Best Value Performance Indicators

The conclusion based on our risk based sample is that Bury has appropriate data collection systems for the purpose of providing accurate and complete information in order to produce the indicators. We made just one reservation. We encourage the Authority to continue to improve its processes for producing the BVPIs.

The audit of Best Value Performance Indicators (BVPIs) continued to receive prominence as we had to audit them in three respects:

- Part of the audit of the Performance Plan is to ensure all indicators and targets are published as required and to test a sample to see that there is a suitable system in place to support the BVPIs recorded
- The Audit Commission asked that the 'top 13' from the CPA model were reviewed as part of the audit
- We formed an opinion on the BVPI Return to the Audit Commission, amending or identifying reservations as to any inaccurate BVPIs from our sample, or where estimated figures had been used.

Following previous audit recommendations and work we co-ordinated with Internal Audit on information systems for preparing the PIs, our reservations on their accuracy remained at only one with 6 significant amendments compared to 9 in 2003.

In general terms there has been an improvement in the Authority's preparation of BVPIs, and the Authority aims for no reservations. Those that were amended were generally changed because of calculation mistakes rather than a poor underlying system. Better review will reduce these further.

The one reservation arose on the system to collect information as to the "percentage of appointments made and kept for responsive housing repairs", for which there was not a reliable system to generate the required indicator. We recommended an appropriate recording system be developed. The Council has acquired a computerised system to provide the information.

We have reported the issues arising on the BVPIs that we sampled, seeking improvements in preparation for the future through the related action plan. We encourage the Authority to continue to improve its processes for producing the BVPIs.

Other performance work

Home care service

A wide range of developments have been implemented since our previous work on homecare services. We were asked to review the extent of progress, particularly in relation to the unit costs of the home care service, and validate or challenge the extent to which the service has improved since our previous review.

Overall the in-house service has made considerable progress in modernising the service it provides and reducing costs. The overall unit cost of the in-house service has fallen. After allowing for inflation, this is equivalent to a reduction in real costs of almost 20%.

This considerable achievement has resulted from targeted management action to:

- reduce management costs
- improve staff productivity
- accurately record the true levels of activity.

However we identified some areas for which more improvements in the in-house service could be realised which were discussed in the workshop we held with officers summarised in Exhibit 6.

EXHIBIT 6: HOME CARE SERVICE

Areas agreed for further consideration
• Employee benefits
• Sickness rates
• Non contact time and flexibility
• Overheads
• Commissioning costs

Further more sensitive detail is available in the report and agreed action plan

Sickness absence

Whilst sickness absence levels reduced slightly in 2002/2003 following improved practices at Bury, they remain comparatively high at 13.2 days per full time equivalent employee. Action to reduce levels further remains a priority for the Council.

As a result of a comparatively high Authority wide sickness absence level of 14 days per full time equivalent employee in 2001/2002, the Council made sickness absence a corporate priority. In June 2002 a revised policy and procedure, 'Managing Attendance at Bury MBC' was introduced, supported by documentation published on the Council's intranet, briefing sessions for management teams and training for line managers. Departments also developed their own action plans.

We reviewed progress following these measures, finding that absence levels for 2002/2003 had fallen to 13.2 days. We made some recommendations to further improve the effectiveness of the Council's arrangements. Since the time of our work, the Council has introduced a number of initiatives designed to focus management attention and continue to address the underlying causes of sickness absence.

Better services for vulnerable older people for Mental Health

In 2002 we reported the results of the Audit Commission's crosscutting work across our NHS and Local Government clients relating to better services for vulnerable older people for mental health. We have followed up progress this year and the reports have been shared with Social Services and the NHS Trusts following discussions with the Mental Health Sub Group of the Older People's Local Implementation Team.

Of our original recommendations a third are achieved and most of the remainder are in development.

This progress is achieved in a period of considerable reorganisation of NHS services in the Bury MBC area. The multi-agency Mental Health Sub Group continued to meet and progress developments, usually as part of wider initiatives for older people. Exhibit 7 summarises progress.

EXHIBIT 7: MENTAL HEALTH SERVICES

Summary of progress

Achievements include:

- the establishment of a Community Mental Health Team for the Elderly and an integrated management structure for mental health services
- significant progress in providing information and support for carers
- implementation of a care pathway for GP referrals
- the involvement of user representatives

Priority areas to progress

- assessing the mental health needs of older people in hospital for which a method has been developed but not yet implemented
- advocacy for Elderly Mentally Ill
- training and development around Elderly Mentally Ill issues, especially in primary care

Ongoing performance work

We are undertaking a wide range of work from the 2003/2004 improvement programme we have agreed with the Council. Exhibit 8 summarises the current position of our work, if it is not reported elsewhere in our Letter.

EXHIBIT 8: PERFORMANCE WORK IN PROGRESS

Implementation of Best Value reviews

The aim is to assess the impact of implementation plans from the best value reviews of:

- community safety
- customer access

Environmental stewardship

Work has been undertaken on the first stage of an inspection of environmental stewardship, providing guidance and challenge on the scope of the planned best value review. This review will be inspected in due course.

Information technology

Reviews are in progress of:

- the arrangements for implementing e-government
- the progress of the planned migration from the mainframe.

These are major commitments for Bury and are the Council is project managing these, aiming to deliver previously identified needed improvements

We will report this work at relevant stages. It will also inform our plans for future.

Auditor Judgements

Auditor judgements on the following areas formed part of the CPA use of resources assessment, which was rated 4 out of 4 overall. However, within these financial judgements there are areas to improve.

Accounts

We gave an unqualified audit opinion on the 2002/2003 accounts on 15 December 2003. The accounts were produced two months earlier than previous years, which places the Council in a good position as the statutory deadlines requiring earlier closure are implemented. We have agreed with officers a number of areas where the qualitative aspects of accounting practices and financial reporting should be improved and will work with you to achieve this.

Preparation of accounts

Bury MBC's draft financial statements for 2002/2003 were approved for the Council by the Audit Sub-Committee on 31 July 2003, two months in advance of the statutory deadline of 30 September 2003. The achievement of this early internal deadline represents a significant improvement on the previous year and places the Council in a good position for when earlier statutory deadlines are imposed under the whole of government accounting initiative. Continued strong project management is needed to repeat this and to bringing the date forward one more month as will be required by 2006.

Opinion

We were able to give an unqualified opinion on Bury's accounts on 15 December 2003, following some amendments. Amendments were necessary to comply with relevant accounting guidance, or to improve the presentation and readability of the accounts. The amendments should also be viewed in the context of the successful early closure of the accounts this year.

We have agreed with officers a number of areas where the qualitative aspects of accounting practices and financial reporting should be improved. The most significant refer to:

- timeliness and review of bank reconciliations
- capital accounting and financing entries
- journal controls and narrative
- consolidation checks
- supporting analysis of debtors and creditors.

The action plan will address the issues identified above and seek to secure improvements to the Authority's arrangements for preparation of the financial statements.

Reporting to the Council

There is a new auditing standard which applies to our audit of your accounts, Statement of Auditing Standard (SAS) 610 'Reporting to those charged with governance'. This requires us to report issues arising from our financial audit, to Councillors, before we give our audit opinion on your financial statements. In Bury's case, the Audit Sub-Committee is responsible and we reported on 2 December 2003.

In previous years we have discussed such issues with officers rather than Councillors, but the SAS encourages openness and accountability by ensuring that Members take responsibility for the Council's accounts.

The Committee approved the Director of Finance and E-Government's proposed treatment of the matters arising and the resulting revised set of accounts and the proposed action plan above.

Financial aspects of corporate governance

Financial standing

Again the Council has continued to take action to ensure its expenditure is maintained within approved budgets. However, ongoing budget pressures mean that continued strong financial management is necessary for this current sound position to be maintained and the planned service developments to be implemented.

Development of the budget linked to service priorities is continuing.

Bury is seeking to manage pressures evident from the Social Services budget. Bury must continue to address the complex needs of Social Services whilst preparing the wider 2004/2005 budget.

Exhibit 9 summarises the key features of Bury's financial position for 2002/2003.

EXHIBIT 9: FINANCIAL PERFORMANCE 2002/2003

Financial area	Performance to 31 March 2003
General Fund net budget of £169.4m	Within budget overall by net £1.5m, excluding commitments to schools budgets. Most of the balance is committed to the 2003/2004 budget
Reserves: Council aim is for £4.25m uncommitted reserves by March 2005	General Fund Reserves at March 2003 were £6.7m after commitments to schools. The Director of Finance and E-Government is of the view a minimum balance of £2.63m is retained in the Fund to meet unforeseen eventualities
School balances	Net school balances at March 2003 were £1.9m (March 2002 £2.1m) and £2m relating to Standards Fund (March 2002 £1m). Accumulation of surpluses or deficits for the individual schools have been reported.
Capital expenditure	Capital expenditure slipped by £5.3m on the revised capital programme of £30.1m. New project management systems will be used in future
Housing Revenue Account	Housing Revenue reserves increased by £1.4m to £3.8m at March 2003. Rent arrears had reduced to 1.6m from £2m
Debt collection compared with Metropolitan Councils	A sound and improved recovery position for 2002/2003: <ul style="list-style-type: none"> • NNDR 98.5% (98.4% last year), average 97.8% • Council Tax 97.3% (96.9%), average 95.2%

The key aspects of Bury's financial performance are:

- effective budget management and monitoring with clear reporting
- demonstrated cost savings and service improvements
- medium term financial planning of funding for revenue and capital
- high levels of debt collection
- loan repayment and investment strategies
- new project management system.

In addition sound work has been undertaken on new ways of funding such as implementing 'supporting people' grant.

Your work is continuing on developing the budget links to Council priorities. These have most recently been included in the "Medium Term Financial Strategy 2004/5 to 2006/7". An away day was held for Councillors and senior officers to identify priorities and link these to the capital programme. We encourage you to continue this work on capital and revenue budgets.

Council Tax

In December 2003 the Audit Commission published a national report, "Council Tax increases 2003/04 Why were they so high?" We reviewed the Council Tax level set for Bury. Although Bury Council Tax increased by nearly 10% for 2003/2004, Bury is overall a low spender and had the second lowest Council Tax rate in Greater Manchester.

In Bury the main reasons for the above inflation increase were identified as arising from the way national government funding allocations worked and from cost pressures such as pay and price increases, increases in national insurance contributions, and increased pension costs. These followed the issues in the national report.

Locally, insurance cost increases were the biggest single real increase.

Social service budgets

Our ongoing work programme includes a review of how social services are managing budget demands. Your 2003/2004 monitoring identified an overspend, which could be up to £1.5m, although this is being actively managed to minimise its impact. Specific initiatives are underway on key areas within social services. We are discussing how these are coordinated in the overall social services budget approach. Steps have also been taken to improve the quality of budget monitoring and the individual support given by finance staff to budget holders. However, scope remains for continued improvement of this information and to improve the quality of spending forecasts, particularly around services funded by specific grants.

Future position

The major overspend identified for 2003/2004 from in year budget monitoring relates to Social Services although pressures are evident in Chief Executive and Education budgets.

Provisional early figures for the 2004/2005 budget round have identified a potential £2m shortfall if there was a standstill budget and a 5% Council Tax rise. Budget pressures are significant as services seek budget savings and to implement planned developments. Particular pressures are evident from the Social Services budget. Bury must continue to address the complex needs of Social Services whilst preparing and balancing its wider budget.

Legality of financial transactions

There were no significant issues arising. The Authority has a satisfactory framework in place for ensuring the legality of its transactions with financial consequences.

General Arrangements

Sound procedures are in place. The roles and responsibilities of the Monitoring Officer and Section 151 Officer are set out in internal documents, which are made available to staff and Councillors.

Arrangements ensure:

- the legality of financial transactions is considered as part of the decision making process in a formal and structured way
- legal advice is followed
- advice is sought from the Monitoring and Section 151 Officers when developing complex and innovative courses of action
- new legislation is considered and addressed.

Public rights and audit issues

This year there have been no formal issues raised with us as a result of the inspection of the accounts by the public.

During the year we reminded all Councils in the North West of the legal issues which apply to publicity material produced for the North West Regional Assembly.

Whilst sundry issues were discussed during the year, none of these brought into doubt the arrangements at Bury for ensuring the legality of these transactions and we note the constructive way officers helped us and the Council address these issues.

Systems of internal financial control

Bury has developed and maintained sound systems of internal financial control. The quality of the work of Internal Audit is good.

Internal Audit

Internal Audit is an important element of the control environment within any organisation. We review their arrangements and are satisfied with the quality and coverage of their work.

Internal Audit have reported regularly to the Audit Sub-Committee, which allows consideration of the key points arising from their work programme in a relevant context.

Statement on the system of internal financial control

A specific development during the year has been the need for Internal Audit prepare the supporting work for the Director of Finance and E Government 's statement on the system of internal financial control, included in the annual accounts.

The issues at Bury which the statement drew attention to are:

- the replacement of the financial management and related back office support systems
- the planned transfer of Council House functions to the ALMO
- the ongoing development of risk management arrangements.

Financial Systems

The reporting of their financial systems work by Internal Audit left them well placed to provide the evidence behind the system of internal financial control statement. A summary of their work was presented to the Audit Sub-Committee. No major issues arose.

Risk management

Considerable progress has been made in developing risk management and risks are considered in Committee Agenda papers. However, the risk register and management use of it remains under development. We encourage you to complete the planned developments.

Some of the difficult areas around risk management have been addressed such as including risk management issues in Committee agenda papers. However, the practicalities of preparing and managing the risk register are still underway. Consultants have been used to further progress this work and raise its profile.

We encourage you to complete this work, which is seen as key to the statement of internal control, reflecting corporate governance arrangements, required to be included in your 2003/2004 statement of accounts.

Standards of financial conduct

Bury's arrangements for standards of financial conduct and the prevention and detection of fraud and corruption accord with good practice. Bury continues to support the National Fraud Initiative.

Overall arrangements are in place to ensure that the Council's affairs are managed in accordance with proper standards of financial conduct, and prevent and detect fraud and corruption. We note the:

- thorough approach by Internal Audit to fraud and other special investigations
- established Council approach to the Audit Commission's National Fraud Initiative (NFI)

It is necessary to continue to promote awareness to the Council's governance and anti fraud arrangements to Councillors and staff.

National Fraud Initiative

The National Fraud Initiative (NFI) is the Audit Commission's data matching exercise. Its main aim is to help identify and reduce housing benefit fraud, occupational pension fraud, tenancy fraud and payroll fraud. The NFI is carried out every two years and data matches were provided to you in the early summer.

Within available resources, Bury has investigated NFI matches to a substantial degree and made use of the prioritisation of reports. Overall there has been good progress made in a number of areas, specifically Housing Benefit matches. There were some areas where we identified scope for you to do further work which is ongoing.

We recommend you continue to investigate all priority cases identified and complete any necessary follow up action.

Strategic regulation: future audit and inspection work

Strategic Regulation contributes to improvement in public services by ensuring that regulators collaborate to identify each council's priorities for improvement, and provide assessments that are useful to managers, professionals, politicians and the public.

For the first time we have brought together co-ordinated audit and inspection plans that make clear how our work supports the improvement agenda of each single tier and county council.

Our joint audit and inspection programme for 2003/2004 was developed in conjunction with officers and Councillors and shared with officers during the spring of 2003 for inclusion on the Audit Commission's website. We developed a programme of work that is proportionate to both the Council's risks and its performance as assessed through CPA.

Audit and Inspection planning for 2004/2005, linked to your improvement plan, will be carried out in 2004 following your updated corporate assessment. However it is likely to include:

- ALMO pre-inspection required by Housing inspectors and programmed for March 2004
- Completion of the environmental stewardship staged inspection
- Updated inspection of regeneration

Closing remarks

This Letter has been discussed and agreed with officers and is to be discussed with the Audit Sub-Committee followed by the Executive Committee, and subsequently through any relevant Scrutiny processes. A copy of the Letter will be provided to all Councillors.

Finally, I would like to take this opportunity to express my appreciation for the assistance and co-operation provided during the course of the work. Our aim is to deliver a high standard of audit and inspection, which makes a positive and practical contribution which supports the Council's improvement agenda. We recognise the value of your co-operation and support.

Clive Portman
District Auditor and Relationship Manager
January 2004

Status of our Audit and Inspection Annual Letter

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This Letter is prepared by the relationship manager and District Auditor and is addressed to Members or officers. It is prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Members or officer in their individual capacity, or to any third party.

Audit and Inspection reports issued during 2003

Audit and inspection documents	Date
Audit Plan 2002/2003	January 2003
Audit plan 2003/2004	June 2003
Audit and inspection improvement programme 2003/2006	June 2003
Best Value Performance Indicators preparations	July 2003
Housing rents inspection	January 2003
Emergency planning	September 2003
Best Value Performance Indicators opinion	September 2003
Homecare services	September 2003
Sickness absence	September 2003
Human resources strategy	September 2003
Race Relations Act	September 2003
Best Value Performance Indicators outcome	November 2003
Cultural services inspection	October 2003
Better Services for Vulnerable Older People: -mental health follow up	September 2003
SAS 610 report	November 2003
Best Value Performance Plan statutory opinion	December 2003
Comprehensive Performance Assessment (CPA) scorecard	December 2003
CPA improvement report	December 2003