



INFRASTRUCTURE AND GOVERNMENT

# Bury Metropolitan Borough Council

Local Area Agreements - Stage 1 Emerging Issues

February 2008

AUDIT

# Contents

---

1	Executive Summary	
1.1	Introduction	2
1.2	Key findings	2
1.3	Key issues arising	3
1.4	Way forward	3
2	Introduction	
2.1	Background	4
2.2	Objectives	5
2.3	Audit approach	5
2.4	Acknowledgements	6
3	Governance	
3.1	Introduction	6
3.2	Key findings	6
3.3	Issues arising	9
4	Financial Management	
4.1	Introduction	11
4.2	Key findings	11
4.3	Issues arising	13
5	Performance Management	
5.1	Introduction	15
5.2	Key findings	15
5.3	Issues arising	18
6	Going forward	
6.1	Next steps	19

# 1 Executive summary

---

## 1.1 Introduction

Local Area Agreements (LAAs) have been established in local authority areas to encourage public, private and community and voluntary sector bodies to pool their efforts and financial resources in order to improve services and quality of life for local people. The initiative builds on the experience of partnership working that has developed over recent years, particularly through Local Strategic Partnerships (LSPs).

Bury Metropolitan Borough Council (the Council) is amongst the second wave LAAs with a three year agreement commencing on the 1 April 2007. The agreement is between central government, represented by the Government Office, and the local area represented by the Council, and other key local partners. It will be refreshed annually to enable changes in national or local priorities to be reflected.

These new ways of working create new opportunities for more effective joint working but they also create potential risks for the stewardship of resources by public bodies. Under the Audit Commission Code of Audit Practice we are required to carry out work to evaluate significant risks to the body subject to audit. Therefore, we have agreed with the Council that we will carry out a review of the risks associated with its participation in the Bury LAA as part of the 2007/08 Audit and Inspection Plan.

## 1.2 Key findings

We have identified the following key findings:

- The LAA priorities have been aligned with the nine community strategy ambitions of the LSP. As such the LAA forms part of the delivery plan for the overall Community Strategy;
- Consultation has been held with the stakeholders and the community prior to the finalisation of the LAA;
- The LAA is directed by informed decision making, both in terms of financial and performance information, which are monitored on an ongoing basis; and
- Arrangements are in place to provide assurance over the robustness of performance indicators.

# 1 Executive summary (continued)

---

## 1.3 Key issues arising

We also identified the following key areas for consideration:

- It is unclear whether formal rights of access have been agreed to enable Internal Audit to undertake verification visits to audit data submitted by partner organisations. As the accountable body, the Council should ensure that formal rights of access to financial and performance data are in place with all partners.
- The LAA Strategic Risk Action Plan should be developed to identify action plans to control each risk that has been identified, responsible officers for the delivery of actions, and milestone/monitoring deadlines to provide the LAA Management Group with assurance that risks are being managed adequately.
- Arrangements for financial reporting should be expanded so that the LAA also monitors the financial performance of pooled (i.e. non-pump primed) schemes. At present only pump-primed schemes are monitored by the LAA. There is a risk that pooled schemes may underspend, increasing the risk of failure to achieve outcomes. Monitoring of these alongside pump primed spend against budget would provide assurance that spend is in accordance with levels required to deliver targeted outcomes.

## 1.4 Way forward

We will agree with officers the areas to review as part of stage two of our audit.

## 2 Introduction

---

### 2.1 Background

LAAs are three-year agreements that set out the priorities for a local area agreed between central government, represented by the Government Office, and a local area, represented by the local authority and Local Strategic Partnership (LSP), and other key local partners. They will be refreshed annually to enable changes in national or local priorities to be reflected.

LAAs are based on outcomes. They should enable local authorities and their partners to deliver outcomes in a way that reflects national and local priorities identified in community strategies. They are intended to identify common ground between central and local government as to the key priorities for local communities, but also to give local authorities and their partners the flexibility to find local solutions to local problems, and to prioritise spending to achieve the outcomes identified in an LAA. The full range of local stakeholders with an interest in these outcomes is expected to be involved in drawing up an LAA, including the voluntary and community sector.

Each agreement is made up of outcomes, indicators and targets aimed at delivering a better quality of life for local people through improving performance on priorities grouped into four blocks:

- Children and Young People;
- Safer and Stronger Communities;
- Healthier Communities and Older People; and
- Economic Development and Enterprise.

These blocks provide very wide ranging coverage of issues in a local area. However the priorities need not be confined to these blocks. LSPs are encouraged to consider other cross-cutting priorities that do not fit into the four blocks, but that can also be tackled through the LAA and contribute to the drive for more sustainable communities.

The LAA should therefore reflect the local community strategy, the local neighbourhood renewal strategy where relevant, and in the case of the economic development block, the regional economic strategy. Depending on the funding streams LSPs choose to include in LAAs, the value of the agreement could be many millions of pounds. The value of funding brought together in the first wave of 21 pilot LAAs was £800 million in more than 100 funding streams, such as neighbourhood renewal funds.

## 2 Introduction (continued)

---

LAs represent a substantial challenge to the leadership and capacity displayed by LSPs in co-ordinating delivery of outcomes which lead to more sustainable communities. The increasing expectations to deliver being placed on LSPs and the potential for enhanced status to match - make clear systems of accountability ever more important. These should be a key feature of the governance arrangements operated by each LSP, through the local authority as the accountable body for many of the relevant funding streams.

### 2.2 Objectives

Our objective is to provide the accountable body (the Council) with assurance on the areas in which it is performing effectively and to clearly identify the key issues that require further action. We will support the accountable body in exploring the way forward on these issues.

Our work will comprise of two stages. The first stage incorporated within the 2007/2008 audit plan will use the Audit Commission diagnostic tool which focuses on governance, financial management and performance management arrangements. Stage two will build on the findings of the diagnostic tool and will be undertaken as part of our a future Audit and Inspection Plan.

### 2.3 Audit approach

The audit has used a variety of methods, including:

- Reviewing key documents;
- Interviewing key staff in the accountable body; and
- Providing constructive challenge and support.

### 2.4 Acknowledgements

We would like to take this opportunity to thank all those staff at the Council who have supported this review.

## 3 Governance

---

### 3.1 Introduction

The Audit Commission has identified six areas that are fundamental to the delivery of good governance within LAAs. They are as follows:

- clarity of objectives and outcomes;
- effective leadership;
- informed decision-making;
- strong controls and risk management;
- involvement of service users, stakeholders and the wider community; and
- a clear accountability framework.

### 3.2 Key findings

#### 3.2.1 Clarity of objectives and outcomes

- Priorities are in place and are documented within the LAA Submission Document. The LAA priorities have been aligned with the nine community strategy ambitions of the LSP (known as 'Team Bury'). Targets and outcomes have been documented within the LAA Submission Document. Outcomes have been agreed with Government Office North West (GONW) to incorporate a Government Office national perspective in addition to Bury's local perspective.

#### 3.2.2 Effective leadership

- An LAA Management Group is in place which meets on a bi-monthly basis. The Management Group includes representatives with financial management and performance management expertise. Senior officers, including the Assistant Chief Executive of the Council, sit on the Management Group, and it also includes representation from the third sector.

## 3 Governance (continued)

---

- Strategically, the LAA sits below Team Bury and forms part of the delivery plan for the overall Community Strategy. Team Bury has overall responsibility for the delivery of the LAA and all partners have signed up to the LAA.
- Ultimately the LAA reports to Team Bury.
- LAA Submission Document sets out the LAA's vision for the future. The linkages between the LAA and the nine community ambitions demonstrates that the LAA also aims to contribute to LSP's objectives.

### 3.2.3 Informed decision-making

- A governance structure is in place which identifies lead officers and demonstrates how the LAA is set up. This also demonstrates how the LAA fits into Team Bury.
- Arrangements are in place to ensure that decision-making is well informed.
- Decision-making is informed by both financial and performance information.
- Each partner organisation inputs performance information directly into the LAA's performance management system. This is integrated with the Performance Information Management System (PIMS), the Council's performance management system for Performance Indicators (PIs). This plays a key role in enabling the LAA to achieve tight turnaround in respect of quarterly reporting. Training has been provided to partners regarding the use of PIMS.
- Verification work will be undertaken by Internal Audit, via a risk based approach, on information submitted both by Council officers and by partners. Internal Audit will provide specific focus on partner inputs into PIMS to provide the LAA with assurance over the quality of data.
- Within each LAA block there is a key director and responsible officers have been identified for each target.

### 3.2.4 Strong controls and risk management

- Individual projects receiving pump priming money have been risk assessed for failure to achieve outputs.
- An LAA Strategic Risk Action Plan is in place which scores risks on a likelihood/impact basis. A target score is also identified for each documented risk. Risks are monitored on an ongoing basis by the LAA Management Group.
- Risks that the Council has associated with the LAA from a Council perspective are aligned with the Council's risk management arrangements.



### 3 Governance (continued)

---

- The LAA operates under the 'Team Bury' Risk Management Strategy. This strategy is included within the LAA submission.
- The Council's Data Quality Policy includes provision for handling information received from external sources and the role of Internal Audit and the Performance Team in checking collection and calculation methodologies.
- Systems are in place to address risks around data quality and financial performance, including:
  - Internal Audit reviews of Performance Indicators (PIs) to provide assurance over their robustness; and
  - Ongoing monitoring of PIs and the financial position via the LAA Management Group and the Council's internal monitoring procedures.

#### 3.2.5 Involvement of service users, stakeholders and the wider community

- The LAA Submission Document sets out the steps that have been taken by the LAA to involve local people, voluntary and community organisations.
- The LAA has been driven by the community strategy ambitions, and two community events were held to consult stakeholders and the community. The first stage of consultation was to take partners through the LAA challenges pre-submission, and this resulted in a number of amendments to the submission document. After the LAA was signed off in June 2007, a community conference was held and this helped to reaffirm the LAA challenges and promote inclusion of the local population.
- Third Sector Development Agency (TSDA) was established with Council support and funding following the cessation of Community Service Volunteers (CSV). TSDA works closely with the Council and aims to develop the sector to enable engagement. The LAA Management Group includes a TSDA member (see Section 3.2.2), and representatives also sit on the LSP, making up four of 22 members.

#### 3.2.6 A clear accountability framework

- The LAA reports to Team Bury. Team Bury has overall responsibility for the delivery of the LAA and all partners have signed up to the LAA.

## 3 Governance (continued)

---

- The management and administration of the LAA as a whole has been incorporated within the Council's corporate arrangements.

### 3.3 Issues arising

#### 3.3.1 Informed decision-making

- Internal Audit will undertake verification visits to audit data submitted both by Council officers and by partners. Discussion has been held with partner organisations, but it is unclear whether formal rights of access have been agreed. As the accountable body, the Council should ensure that formal rights of access to financial and performance data are in place with all partners.

#### 3.3.2 Strong controls and risk management

- Risk assessments should also be considered by the LAA in respect of non-pump primed schemes (currently these are only assessed in respect of pump primed schemes). For example, the risk of PIs not being achieved due to pooled schemes failing to meet targeted outcomes. If this is already undertaken separately, any significant risks identified should feed into the LAA Strategic Risk Action Plan.
- LAA Strategic Risk Action Plan should be developed to identify action plans to control each risk, responsible officers for the delivery of this, and milestone/monitoring deadlines to provide the Management Group with assurance that risks are being managed adequately.
- An LAA-wide external complaints policy is not in place. Complaints are handled by the relevant partner, and the LAA is reliant on the processes that are in place at each partner. The Council has a complaints procedure, but at present there is no system in place to report complaints from partners to the LAA. As a result, no assurance is received by the LAA that complaints have been appropriately considered and that remedial action has been taken where appropriate. It is noted that the Council is currently overhauling its complaints procedure. This provides the LAA with an opportunity to ensure that it has adequate arrangements in place.
- The LAA follows the Council's own Scheme of Delegation (SoD). At present the LAA is largely made up by Council officers and spend is largely Council-led. The LAA may expand in future years and incorporate further third parties and the LAA's terms of reference should make clear that partners are required to follow the Council's SoD. Alternatively, it may be appropriate for the LAA to consider establishing its own scheme of delegation.

## 3 Governance (continued)

---

### 3.3.3 Accountability framework

- The Council undertakes performance benchmarking for specific services as part of Association of greater Manchester Authorities (AGMA) but, due to its relative infancy, no specific benchmarking is currently undertaken in respect of the LAA. Benchmarking between LAAs would enable the Bury LAA to identify and share best practice, and to identify areas of strength and also areas that can be further developed.

## 4 Financial Management

---

### 4.1 Introduction

Financial management and the use of resources play a critical part in improving the performance of public services, and financial management is a key element of an organisation's or partnership's overall management arrangements.

While the values of funding streams invested in LAAs vary greatly, they are material to the Council as the accountable body. The channelling of material funds within such an innovative structure and service delivery mechanism makes financial management an inherent risk for participating audited bodies.

In assessing the adequacy of financial management arrangements, consideration is given to the following:

- Do bodies involved in the LAA, particularly the accountable body, have the capacity and arrangements in place to participate effectively and develop an Agreement with a sound financial base?
- Are there effective arrangements for setting and monitoring budgets and for financial reporting, both internally to partners, externally and in respect of pooled budgets?
- Are adequate arrangements in place to demonstrate compliance with LAA terms and conditions and with statutory and other requirements?
- Are there clear arrangements in place for monitoring and controlling management costs and for ensuring that efficiency savings are used to further LAA objectives?

### 4.2 Key findings

#### 4.2.1 Capacity and arrangements

- Our initial review has not indicated that there are any concerns in respect of financial capacity at the Council or the partner organisations.

## 4 Financial Management (continued)

---

- Processes are in place controlling the release of LAA funds, whereby:
  - Pump priming monies have been allocated following a bidding process by both partners and internal departments. An LAA code has been set up on the Council's General Ledger with cost centres for each scheme and project managers have access to them to ensure that they remain separate from departmental balances;
  - Partners are allocated resource at the start of the financial year with future allocations being adjusted if required. Internal Audit verification work will include an audit of expenditure (internally and at partners) to provide assurance that spend is eligible;
  - Project initiation documents formally set out allocations of pump priming monies and also partner contributions to schemes; and
  - Internal (Council) departments comply with the Council's standing orders. The LAA can track back through the financial system to confirm levels of spend etc.

### 4.2.2 Arrangements for setting and monitoring budgets and for financial reporting

- The financial plan is approved by both the LAA Management Group and Team Bury.
- Financial monitoring covering pump primed monies is undertaken on a quarterly basis. This is monitored at the LAA Management Group. Variances against budget are investigated and the LAA Management Group may request recovery plans if they feel that action is required where there are concerns over performance against budget. The LAA does not currently monitor the financial performance of non-pump primed (i.e. pooled) schemes.
- Budgets are profiled and, although committed expenditure is not included within financial reports, managers are required to provide financial forecasts. Third parties use PIMS to record expenditure.
- Plans for the financial aspect of the 2007/08 LAA were derived from the financial plans already in place for the various funding streams making up the LAA.
- The majority of spend is expected to be revenue. Any capital spend will be accounted for in accordance with the Council's capital accounting procedures. A separate LAA fixed asset register will be established if required.

## 4 Financial Management (continued)

---

### 4.2.3 Compliance with LAA, statutory and other terms and conditions

- Changes in required arrangements are notified by Government Office and filtered to the LAA Management Group and other appropriate teams.
- Internal Audit work will include an audit of expenditure (internally and at partners) to provide assurance that spend is eligible.

### 4.2.4 Management costs

- Most pooled schemes include an ongoing element of management costs. This is included within the financial budgets of these schemes.

## 4.3 Issues arising

### 4.3.1 Capacity and arrangement

- Each member of the LAA follows its own Standing Orders (SOs). As the accountable body, consideration should be given to potential for future third party spend by smaller organisations who may have less stringent SOs and weaker controls around expenditure.
- As this is the first year of the LAA, only mandatory elements have been included within arrangements. As the LAA develops, consideration should be given to whether there are other areas of activity which it would be appropriate to include within the LAA on a discretionary basis.

### 4.3.2 Arrangements for setting and monitoring budgets and for financial reporting

- LAA financial monitoring focuses on pump primed schemes. The LAA should also monitor the financial performance of pooled (i.e. non-pump primed) schemes. At present this is not reported to the LAA Management Group and so there is a risk that any issues arising are not identified immediately. There is a risk that pooled schemes may underspend, increasing the risk of failure to achieve outcomes. Monitoring of these alongside pump priming spend against budget would provide assurance that spend is in accordance with levels required to deliver targeted outcomes.

## 4 Financial Management (continued)

---

- There are no arrangements in place to provide the Council, as the accountable body, with assurance that there are no issues at partners in respect of financial management. The Council needs to consider what can be used to gain assurance. One method may be to review the Statements on Internal Control (SIC)/Assurance Framework of each partner organisation, but this may not be possible in the case of smaller partners (e.g. some voluntary bodies) who do not produce a SIC or Assurance Framework. The LAA therefore needs to consider other ways that it can gain the required assurances.

### 4.3.3 Management costs

- Most continuing schemes already include an element of management costs. Although there is monitoring of management costs within individual grant streams, there has not been any aggregate monitoring to date of management costs across the LAA.
- No additional funding has been allocated in respect of the ongoing management of the LAA. Consideration should be given as to whether there is a risk in relation to manager capacity as result of additional requirements that officers may now have. The Council should also consider whether, where appropriate, job descriptions require amending to reflect new or additional responsibilities in respect of the LAA.

## 5 Performance Management

---

### 5.1 Introduction

The Government's eventual aim is to streamline, simplify and integrate existing performance management arrangements for councils and their local partners into one area-based framework. LAAs are seen as the prime vehicle for achieving this aim. A parallel aim is to derive a single clear set of outcomes and indicators based on the relevant set of national Public Service Agreements to form the core of the agreements, alongside local priorities that fall outside this set.

In assessing the adequacy of financial management arrangements, consideration is given to the following:

- Are partners committed at the highest level to effective joint performance management?
- Do partners use past and current performance to plan future action?
- Is the local performance management framework effective?
- Do partners regularly review the performance management framework and its effectiveness?

### 5.2 Key findings

#### 5.2.1 Joint performance management

- The LAA is in effect part of the delivery plan for the community strategy. Responsibility is delegated to named block leads and PI leads in respect of the collation and reporting of information. A strong LSP is in place, and the Council does not have any concerns over the current arrangements.
- No concerns have been identified to date in respect of leadership and key skills in relation to the monitoring and management of performance against the LAA. PIMS training is being provided to partners to ensure the system is used correctly. The rollout has been deliberately limited to ensure that it remains a controlled process. Roll out access will continue to expand as it is embedded across partner organisations.



## 5 Performance Management (continued)

---

- Performance targets are determined following consideration of GONW requirements and recommendations, analysis of service performance for the previous year, and also what the required outcomes are for the current year. PI targets are discussed with GONW and are then subject to formal approval by the LAA Management Group and by Team Bury.
- The LAA operates under the Team Bury Performance Management Framework.
- National PIs – some are set nationally, and others are negotiated at local level with GONW. GONW does not drive the determination of local targets, but it may challenge them if it feels that they are not appropriate. All final PIs are formally approved and signed off by Team Bury.

### 5.2.2 Planning future action

- Delivery plans focus on improved outcomes for residents – this is the ultimate aim for the LAA.
- SMART targets have been developed to support plans to ensure the LAA can demonstrate how outcomes provide benefits.
- Triggers are in place to flag/identify inadequate performance via tolerances that are set in PIMS. A traffic light system is used to report the performance of LAA PIs. There are two aspects to this – performance against prior year outturn, and performance against current year target.
- Named officers are in place for each PI and update comments are provided in quarterly monitoring reports. PI reporting is undertaken on an exception basis (if worse than baseline or below target by 15%). In addition, a detailed analysis of all PIs is also provided in the monitoring reports as an appendix. If a PI receives a red traffic light for two consecutive periods, the responsible officers are called upon to explain why this has occurred and to provide assurance that appropriate action is being taken to address any issues. Action plans will be requested if this is felt appropriate and they may also be subject to more frequent reporting (e.g. weekly or monthly) to ensure that performance is turned around.

## 5 Performance Management (continued)

---

- No concerns have been identified in respect of the availability of data and reporting available data to enable appropriate monitoring. Some PIs can only be assessed annually, and in such instances the 'Milestones' section of LAA performance monitoring reports details what action is being taken to drive outcomes. As a result, although performance cannot be assessed via the traffic light system, the LAA is able to judge progress that is being made.
- Quarterly monitoring of PIs is via a traffic light system which enables the Council to follow up any variances from targets at a corporate level along with the rest of the Council's PIs.
- The Community Strategy Performance Monitoring Report for Quarter one flags the LAA PIs and monitors against the targets set by the LAA. A management group is also in place in respect of the LAA. The Quarter one report also goes to the LSP as part of monitoring of the Community Strategy and to Team Bury Executive in respect of the stretched targets.

### 5.2.3 Effectiveness of performance management framework

- Each partner organisation inputs performance information directly into the LAA's performance management system. This is integrated with PIMS, the Council's performance management system.
- A clear quarterly reporting timetable is in place and protocols exist for the production of monitoring information.
- Block Leads lead on the assessment of performance. The framework is an ongoing review via quarterly monitoring.

### 5.2.4 Review of the performance management framework

- The framework is to be formally reviewed at year end. There is also quarterly feedback to Team Bury on any issues, for example concerns over the provision of data.
- No concerns have been identified to date in respect of failing to meet other monitoring arrangements (e.g. production of BVPIs) while responding to LAA requirements.
- The recent Local Government and Public Involvement in Health Act 2007 has introduced 200 targets from 2008, of which the Council must choose 35, in addition to another 18 educational targets. Current targets are a mix of local and national PIs, all of which are monitored by GONW.

## 5 Performance Management (continued)

---

### 5.3 Issues arising

#### 5.3.1 Joint performance management

- The only difficulty that is faced in respect of availability of data and reporting is the fact that not all PIs can be monitored quarterly. However, the Council is satisfied that it has a good understanding of performance (e.g. through proxy measures, progress against action plans) in most cases where quarterly monitoring is not possible.

#### 5.3.2 Effectiveness of performance management framework

- As noted in section 3.3.1, the Council's Internal Audit function will undertake verification visits of partners to provide assurance over the accuracy of performance data. It is unclear whether formal rights of access have been agreed. As the accountable body, the Council should ensure that formal rights of access to financial and performance data are in place with all partners.

## 6 Going forward

---

### 6.1 Next steps

We plan to undertake stage two of our review of LAA arrangements as part of our 2007/08 Audit and Inspection Plan. The detailed specification of this work has yet to be agreed with the Council, but we anticipate that it will involve the following:

- Interview a selection of partners - need to confirm understanding amongst partners of governance, financial management and performance management arrangements.
- Interviews with local community representatives and other stakeholders.
- Interview lead performance and finance leads for the blocks.
- Interview with Members.
- Identification of good practice.