



GOVERNMENT

Use of Resources assessment 2007-08

Bury Metropolitan Borough
Council

December 2008

AUDIT

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A. Changes to the Use of Resources assessment

This report is addressed to the Council and has been prepared for the sole use of the Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Adrian Lythgo who is the engagement lead to the Council, telephone 0113 231 3054 email adrian.lythgo@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4063, email trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Team, Nicholson House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SU or by e mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

Executive Summary

In this year's Use of Resources assessment the Council has performed at level 3 (performing well) subject to final quality control by the Audit Commission. The score represents consistent performance with the previous year's assessment. Additional requirements have been met by the Council to ensure that level 3 performance was retained. To ensure that the Council continually improves its performance, an action plan should be produced to implement our recommendations and the Council's planned actions. Progress against the action plan should be reported to and monitored by the Audit Committee.

Introduction

The annual Use of Resources (UoR) assessment evaluates how the Council uses and manages its financial resources. It focuses on the importance of having sound and strategic financial management to ensure that resources are available to support priorities and improve services, and covers five themes as shown in the table below. This is the fourth annual assessment.

Summary of scores

Themes	Score 2007/08	Score 2006/07	Score 2005/06
1. Financial Reporting	3	3	3
2. Financial management	3	3	3
3. Financial Standing	3	3	2
4. Internal Control	3	3	2
5. Value for Money	3	3	3
Overall score	3	3	3

The Council's overall score has been assessed as 3, which means that overall you are performing well. You have performed well in respect of your arrangements across all of the five themes, Financial Reporting, Financial Management, Financial Standing, Internal Control and Value for Money.

The scores for each theme and Key Line of Enquiry (KLOE) are provided in section two. Compared to the 2007 assessments, the Council has sustained its performance in relation to all of the five themes.

We have provided our key findings for each theme in section three. The Council should consider how these recommendations can be drawn into an action plan to reflect the Use of Resources requirements for 2009. Further details on this can be found in Appendix A. A consolidated action plan should be produced accordingly and progress against the plan should be reported to and monitored by the Audit Committee.

Introduction

The annual Use of Resources (UoR) assessment evaluates how the Council manages and uses its financial resources. It focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services and covers five themes:

- Financial reporting;
- Financial management;
- Financial standing;
- Internal control; and
- Value for Money

These are underpinned by eleven Key Lines of Enquiry (KLoEs) as shown in section three. This is the fourth year we have carried out the assessment. Judgements have been made for each theme and each KLOE on the following scale of 1 – 4 which has been standardised and quality assured by the Audit Commission.

Scale used for assessments and inspections

Score	Description
1	Below minimum requirements
2	Only at minimum requirements – adequate performance
3	Consistently above minimum requirements – performing well
4	Well above minimum requirements – performing strongly

The overall score for the UoR assessment will be reported to the Council by the Audit Commission in December 2008. Theme scores contribute to our conclusion under the Code of Audit Practice on the Council's arrangements to secure value for money in relation to its use of resources. This conclusion has been issued with our audit opinion on your accounts. A score of 2 or more is sufficient for an unqualified opinion on each criteria.

In forming our assessment, we followed the methodology set out in the Use of Resources Guidance for Councils for 2008. In particular, in order to support scores of 3 and above, you needed to demonstrate that relevant arrangements are 'embedded' - that is, they have been working effectively with clear demonstrable outcomes. This includes evidence that arrangements are working as expected, understood by staff, have an impact on outcomes, contribute to objectives, and improve economy, efficiency or effectiveness. For scores of 4 (performing strongly) councils must demonstrate innovation or best practice that can be shared with other authorities.

The 2008 assessment will be the final assessment under the CPA framework for single tier, county councils and district councils. The assessment for 2008/09 will be the first under the new Comprehensive Area Assessment (CAA) framework being introduced from 1 April 2009.

Theme summaries

Key findings and conclusions for each of the five themes are summarised in section three of this report. This includes our key findings and the key areas for improvement.

Use of resources theme summaries

The five theme scores, and 11 Key Lines Of Enquiry (KLOE) scores, for Bury Metropolitan Borough Council for the 2006, 2007 and the 2008 assessments are shown below.

Key line of enquiry (KLOEs)	Score 2007/08	Score 2006/07	Score 2005/06
1. Financial Reporting	3	3	3
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3	3	2
1.2 The Council promotes external accountability.	4	4	4
2. Financial management	3	3	3
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	3	3	2
2.2 The Council manages performance against budgets.	4	4	3
2.3 The Council manages its asset base.	3	3	3
3. Financial Standing	3	3	2
3.1 The Council manages its spending within the available resources.	3	3	2
4. Internal Financial Control	3	3	2
4.1 The Council manages its significant business risks.	3	3	2
4.2 The Council has arrangements in place to maintain a sound system of internal control.	3	3	2
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	3	3	2
5. Value for Money	3	3	3
5.1 The Council currently achieves good value for money.	3	3	3
5.2 The Council manages and improves value for money.	3	3	3
Overall score	3	3	3

The above comparison shows that the Council's scores have not changed from the 2007 assessment. This demonstrates that the Council has continued to make improvements in respect of its arrangements, as the Council has demonstrated that new requirements had been achieved in order to maintain the existing level of performance. For example, there were additional requirements in respect of KLOE 2.3, which placed a more strategic emphasis on the Council's arrangements. The Council's action during 2007/08 has ensured that the additional requirements at levels two and three have been met.

In the next section of the report we set out the detailed findings for each theme and KLOE.

Detailed findings

Financial Reporting

KLOE 1.1: The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.		Score (subject to quality review): 3
<p>You achieved this level because:</p> <ul style="list-style-type: none"> ✓ The Council has continued to develop its working papers to a good standard with clearer links to the balances that they supported. ✓ Appropriate arrangements had been made with regard to staff resources, to make sure that audit queries could be dealt with promptly. ✓ The accounts were approved in line with the statutory timescales and an unqualified opinion was issued by 30 September 2008. 	<p>Areas for further development are:</p> <ul style="list-style-type: none"> ● The Council should continue to further develop the working papers, for example, ensuring that all working papers are clearly referenced. ● The Council should continue to develop its quality review process to reduce the risk of material mis-statements. In particular, the Council should seek to review the areas raised during the 2007/08 audit to ensure that these are treated correctly in the 2008/09 financial statements. 	
KLOE 1.2: The Council promotes external accountability.		Score (subject to quality review): 4
<p>You achieved this level because:</p> <ul style="list-style-type: none"> ✓ The Council has again carried out extensive consultation with stakeholders, for example, focus groups, to ensure that their information needs are being met and in appropriate formats. ✓ The Council's annual report includes information on its environmental footprint. 	<p>In order maintain performance:</p> <ul style="list-style-type: none"> ● The Council should continue to be innovative in its methods of reporting to stakeholders. 	

Financial Management

KLOE 2.1: The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic objectives.		Score (subject to quality review): 3
<p>You achieved this level because:</p> <ul style="list-style-type: none"> ✓ Communications with staff on financial matters have improved, through increased availability of information on the intranet and staff briefings during the course of the year. ✓ The Medium Term Financial Strategy is linked to the Council's other major internal strategies and includes a rolling three year financial position. ✓ A comprehensive and balanced budget is set and the financing of the expenditure contained in this is explained in supporting budget reports. ✓ The Priority Investment Reserve (PIR) has provided the Council with the ability to demonstrate how the business planning process influences the internal resource allocation. 	<p>Areas for further development are:</p> <ul style="list-style-type: none"> ● The MTFS should describe, in financial terms, joint plans with partners for all partnerships and should model balances and resources in greater detail over a minimum of three years. ● The Council also needs to demonstrate how financial plans have contributed to the achievement of its corporate objectives. For example, resources allocated via the PIR should be linked to a corporate objective and measures should be used to assess the impact of the investment. 	
KLOE 2.2: The Council manages performance against these budgets.		Score (subject to quality review): 4
<p>You achieved this level because:</p> <ul style="list-style-type: none"> ✓ Star Chambers are in operation, for each department, and are reviewing both financial and operating activity and performance information. Value for money issues are also considered. ✓ The financial system allows for improved financial monitoring and reporting. This has meant that variances against budget are identified at an early stage and action plans are developed, and monitored, to address these issues. 	<p>In order to maintain performance:</p> <ul style="list-style-type: none"> ● The Council should continue to use appropriate arrangements for the budget pressures it faces to ensure budgets are managed effectively. 	

Detailed findings

Financial Management (continued)

KLOE 2.3: The Council manages its asset base.	Score (subject to moderation): 3
<p>You achieved this level because</p> <ul style="list-style-type: none"> ✓ The Council has an up to date Asset Management Plan, which linked to the MTFs and other relevant capital plans. ✓ An asset register is in place for both financial reporting purposes and the Corporate Property function. The Corporate Property function uses the register to record repairs and maintenance and running cost information, as well as performance indicators on the properties. ✓ Investment and disinvestment decisions are based on whole life costing information as well as qualitative factors. 	<p>Areas for further development are:</p> <ul style="list-style-type: none"> ● The Council has a strategic vision for its assets and properties, which are beginning to shape the town. The Council now needs to demonstrate how it is working with its partners (including the third sector) to ensure that opportunities for shared properties, for example, are explored. ● The Council also needs to demonstrate the link between decisions made in respect of assets to the impact this has had on outcomes/service delivery.

Financial Standing

KLOE 3.1: The Council manages its spending within the available resources.	Score (subject to quality review): 3
<p>You achieved this level because:</p> <ul style="list-style-type: none"> ✓ The Council's risk management processes are used to inform the Council's policy on its minimum level of reserves. The policy has been approved by Members. ✓ The Council has a range of financial indicators that are monitored and benchmarked to assess financial performance. ✓ Overall spending has been consistently maintained within the revised budget for the last six years. During 2007-08, there were no unexpected overspends. 	<p>Areas for further development are:</p> <ul style="list-style-type: none"> ● The Council needs to more formally quantify its expected equal pay liability. ● Performance against key financial targets needs to be improved to allow the Council to demonstrate that a range of challenging indicators are being achieved.

Internal Control

KLOE 4.1: The Council manages its significant business risks.	Score (subject to quality review): 3
<p>You achieved this level because:</p> <ul style="list-style-type: none"> ✓ The Council has corporate and departmental risk registers in place, which take account of partnership risks. These are updated on a regular basis. There is also regular reporting of key risks to the Audit Committee. ✓ Risk management training has been provided as necessary and risk management awareness campaigns have been run throughout the Council during the year, for example through leaflets and on the intranet. 	<p>Areas for further development are:</p> <ul style="list-style-type: none"> ● The Council needs to demonstrate that it is consistently appraising the sustainability impact of policies and decisions. ● The Council needs to further embed risk management into all of its processes, such as project management and in particular the capital programme. This would allow risks of slippage to be identified and managed in projects.
KLOE 4.2: The Council has arrangements in place to maintain a sound system of internal control.	Score (subject to quality review): 3
<p>You achieved this level because:</p> <ul style="list-style-type: none"> ✓ The assurance framework, underpinning the Annual Governance Statement, has been embedded into the Council's arrangements. Assurances are obtained from a variety of sources. ✓ The Council has carried out a significant amount of work to ensure its Business Continuity Plans are in place and are adequate. 	<p>Areas for further development are :</p> <ul style="list-style-type: none"> ● The Council needs to further develop its arrangements for ensuring that partners and contractors' business continuity plans are viable in order to reduce the risk to the Council's service delivery. ● The Audit Committee needs to demonstrate the impact of its work on a regular basis.

Detailed findings

Internal Control (continued)

KLOE 4.3: The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business. Score (subject to quality review): 3

You achieved this level because:

- ✓ The Council has demonstrated that it has been proactive in raising the standards of ethical conduct by conducting a second ethical audit survey, after the low response rate of the first in 2006/07. An action plan has been developed to respond to the results of the survey.
- ✓ Members and staff's awareness of the arrangements in place to promote probity and propriety is generally good.

Areas for further development are:

- The Council needs to implement its action plan in response to the results of the ethical audit carried out during 2007/08. In particular, the Council should focus on embedding a strong counter fraud culture and building employees' confidence in the whistle-blowing arrangements.

Value for Money

KLOE 5.1: The Council currently achieves good value for money. Score (subject to quality review): 3

You achieved this level because:

- ✓ The Council continues to demonstrate that it is a "low cost, low spend" Council. Overall, costs and unit costs for key services demonstrate best value compared to other authorities providing similar levels and standards of service. Unit costs for most service areas are in the lower quartiles. Housing services, as in previous years, remains the exception to this.
- ✓ High levels of performance continue to be achieved in Education with relatively low levels of spend.
- ✓ The Priority Investment Reserve, introduced during 2006/07, has allowed the Council to demonstrate that investment in services is in line with stated priorities.

Areas for further development are:

- The Council needs to continue to implement the actions within the housing service's action plan. Savings have been identified by the Council, the Council now needs to ensure these are consistently achieved, to allow this to feed through to the Audit Commission's VFM profiles.
- The Council needs to consistently develop specific performance measures at the beginning of capital schemes, with targets, to enable the success of projects to be assessed both during and at the end of the schemes.

KLOE 5.2: The Council manages and improves value for money. Score (subject to quality review): 3

You achieved this level because:

- ✓ The Star Chambers process of reviewing cost and performance information together has continued during 2007/08. This ensures that spending decisions are closely linked to priorities and take full account of the risks involved.
- ✓ A number of local performance indicators have been agreed for procurement which reflects both national and local priorities.
- ✓ The Council has clear processes in place for setting and monitoring performance against efficiency targets. Current performance indicates that the Council is on target to meet its target savings over a three year period.

Areas for further development are:

- The Council is currently implementing its second service assessment framework. The Council needs to ensure that this process demonstrates its effectiveness at driving value for money.
- The Council may find it useful to establish baselines, in addition to the performance indicators, to assess individual procurement exercises to inform post procurement reviews.

Appendix A: Changes to the UoR assessment

Principal changes

From 2008/09 a new Use of Resources assessment is being developed, as part of the wider development of Comprehensive Area Assessments (CAA). CAA is being developed jointly by the Audit Commission and other inspectorates and will be an area based assessment consisting of a number of elements. One of the elements will be an annual UoR assessment at organisation level provided by the Audit Commission and based on the work of auditors.

Three themes are proposed:

- *Managing Money* will replace Financial Reporting, Financial Management and Financial Standing;
- *Governing the Business*; and
- *Managing other Resources*.

The approach has been redesigned to emphasise the importance of authorities achieving improved value for money outcomes for local people. Value for Money issues have therefore been embedded throughout all the themes and KLOEs to underline that the overall scored judgment is a single, annual judgment on value for money in the use of resources. Value for money will no longer therefore be a separate theme.

The changes will:

- focus on financial issues within a single scored theme, based upon best financial management practice;
- recognise that use of resources is broader than financial resources, embracing the use of natural, physical, human and technological resources; and
- deliver a proportionate approach that assesses key resource issues.

Sustaining performance levels under the new framework

The level of performance that might be expected to score at level 3 in future, has, therefore, been raised in several respects. For example, descriptors at level 3 are more output and outcome focused than previously. This will challenge authorities to improve further, and provide an element of future proofing and continuity to the framework, reducing the amount of change needed to update the KLOE and descriptors year on year.