



Bury Metropolitan Borough Council
Value for Money Commentary 2021/22 and 2022/23

November 2024

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01

Overall Summary

VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance - How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks in section 2

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- Recommendations arising from significant weaknesses in arrangements - We make these recommendations for improvement where we have identified a significant weakness in the Council arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- Other recommendations - We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

Value for Money - Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary section reference	Identified risks of significant weakness?	Actual significant weaknesses identified?
 Financial sustainability	3	Yes	Yes
 Governance	4	Yes	Yes
 Improving economy, efficiency and effectiveness	5	Yes	Yes

02

Risk of significant weakness

Value for Money

Risk of significant weaknesses in arrangements

In our Audit Strategy Memorandum we reported the risks of significant weaknesses in arrangements that we had identified as part of our planning procedures. We have continued to assess the risks of significant weaknesses in the Council's arrangements and have one further risk to ring to your attention. Our responses to those identified risks [and information on further risks that we identified after presenting our Audit Strategy Memorandum] is outlined in the table below.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>Financial sustainability</p> <p>In the summer of 2023, the Council declared itself to be in a state of financial distress and established a voluntary Finance Improvement Panel, with support from CIPFA and the LGA, to review all its financial systems and processes.</p> <p>The 2022/23 draft statements of account show a declining financial position compared to prior years. The cash balance has decreased by £40.5m to an overdraft position of £5.7m as at 31/03/23. Whilst borrowing levels have increased by £23m when comparing the position at 31/03/23 to 31/03/22.</p> <p>1 The 2021/22, 2022/23 and 2023/24 approved budgets all include significant use of reserves to balance the budget. Total general fund reserves have decreased by £58.1m from 31/03/21 to 31/03/24.</p> <p>The Council entered into a Safety Valve agreement with the Department for Education (DfE) in 2021 with the original agreement aimed to eradicate the DSG deficit by the end of the 2024/25 financial year. The work undertaken to date has had an impact and has started to reduce the DSG deficit position, however the progress has not been sufficient to stay on track for eradicating the deficit by the end of 2024/25. The Council have worked with the DfE to devise a revised DSG Management Plan which now proposes to eradicate the deficit by the end of the 2028/29 financial year. The Council is currently not on track with delivery of this plan.</p>	<p>Work undertaken</p> <p>We have reviewed the arrangements the Council has in place for ensuring financial resilience, specifically that the medium-term financial plan has taken into consideration factors such as future funding sources and levels, levels of other income, salary and general inflation, demand pressures, and sensitivity analysis given the degree of variability in the above factors.</p> <p>We have also reviewed the arrangements in place to monitor progress delivering the 2022/23 budget and related savings plans, and how the Council proposes to address the cumulative deficit over the medium term as well as reviewing the decisions and actions taken / progress made against these plans.</p> <p>We have reviewed the progress of the Council's delivery of Project Safety Value and the revised agreement with the Department for Education.</p> <p>Conclusions</p> <p>Our overall conclusion is that there is a significant weaknesses in the Council's arrangements to deliver financial sustainability. See section three further detail and section six for our recommendation.</p>

Financial Resilience

How the body plans and manages its resources to ensure it can continue to deliver its services

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

Bury's operating environment in 2021/22 and 2022/23

Since March 2020 all local authorities have faced a period of unprecedented challenge, both financially and economically, as they are responding to the impact of, and recovery from, the global Covid-19 pandemic. This led to significant changes in how the Council operates and delivers services to the residents and businesses of Bury. Throughout the past three years, the Council has adapted to new ways of working in order to ensure the continuation of service delivery and the provision of new services to support the local communities through the pandemic.

The financial impact of the pandemic on the Council has been significant. During both 2021/22 and 2022/23 the Council continued to face additional costs and also the loss of income as a result of the financial scarring from the pandemic. Whilst the Council has received financial support from Government to address these issues, there is a recognition that this funding is one-off in nature. As such, the Council has needed to work to understand the longer-term impact of the pandemic, and to consider how to adapt its financial plans to take account of this over the medium term.

In addition to dealing with the recovery from the Covid-19 pandemic, the war in Ukraine has had an adverse impact on the UK economy, with resulting increases in energy costs, and supply chain issues. Inflation rates reached highs not seen in recent times. The subsequent increases in the cost of living, which are forecast to continue for the foreseeable future, mean the Council needs to pay close attention to its budget position and reassess the impact at regular intervals in order to identify mitigations at the earliest opportunity.

2021/22 and 2022/23 Financial performance

We have undertaken a high level analysis of the financial statements for 2020/21 to 2022/33, including the Movement in Reserves Statement and the Balance Sheet.

The most significant change in the balance sheet relates to movement in the Council's share of the pension fund net asset/liability, which has moved to a net pensions asset in 2022/23 for the first time, the total upwards valuation movement is £321.1m. It is not unusual to see material movements in the net pension asset/liability and this is consistent with our experience at other local authorities. The net asset position was also typical across the sector for the 2022/23 financial year. The pension asset is not a usable reserve the Council can access.

The 2022/23 draft statements of account show a declining financial position compared to prior years. The Council's cash balance has decreased by £40.5m to an overdraft position of £5.7m over the year to 31/03/23. Borrowings have increased by £23m over that same twelve month period.

Total general fund reserves have dropped by £30.6m to £109.4m as at 31/03/23. From review of the 2023/24 draft statement of accounts it has been noted that total general fund reserves have dropped further to £104.4m.

	31/03/21 £m	31/03/22 £m	31/03/23 £m
Property, Plant & Equipment	548.4	588.1	644.2
Cash and Cash equivalents	11	34.8	(5.7)
Total Current Assets	76.3	94.8	57.6
Total Borrowing	(207.5)	(222.3)	(245.3)
Share of the Net Pension Fund Asset/ Liability	(356.6)	(230.4)	90.7
Earmarked Reserves	131.6	115.5	86.7
General Fund	30.9	24.5	22.7
Total General Fund (including Earmarked)	162.5	140.0	109.4

The minimum revenue provision (MRP) charge for 2022/23 year included in the draft accounts is £1.675m (2021/22 £2.7m). This equates to spreading the opening capital financing requirement of £293.025m over roughly 175 years. This is a significant increase on the 2021/22 position where the capital financing requirement was spread over 75 years. However, the statutory guidance suggests asset lives of 50 years as a maximum, although the guidance recognises there may be circumstances where this maximum can be prudently exceeded. The MRP charge has not been subjected to detailed audit review in 2022/23, but we are concerned the current approach may not be sufficiently prudent even allowing for the extent to which the Council's capital programme is directed towards regeneration schemes.

The Council's reserves provide some mitigation against future financial challenges. However, the Council will need to ensure any use of reserves to smooth the financial position over the next few years is properly planned. This is because the use of reserves cannot be relied on to provide a long term solution to funding gaps.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability – Continued

Financial planning and monitoring arrangements

In February 2021 the Council set a balanced budget for the 2021/22 financial year. However, this was set with a reliance on reserves of £12.332m and a savings target of £8,056m. The total net budget for Council services was approved at £169.247m with an assumed increase in Council Tax of 1.99% excluding the Adult Social Care Levy of 3%. Whilst challenging the Council considered this to be achievable.

Savings programmes were developed and areas identified with any remaining gaps allocated to departments. Service reviews were held and led by the relevant Heads of Service with support from HR and Finance.

Bury reported its revenue outturn position for the 2021/22 year as an overall underspend of £0.667m, after a planned transfer of £12.932m from reserves. We have considered the arrangements in place in respect of budget management as part of the Governance criteria on page 12.

During the year the Council reported its financial position to Cabinet. We have reviewed a sample of the reports presented for 2021/22. These contain appropriate detail of the significant variances to budget and provide an update on the delivery against savings targets. They also contain appropriate information on the delivery of the approved capital programme, including explanations for both over and under spends against the budget profile. The Council did not report its 2021/22 final outturn position to Cabinet until September 2022, over five months after the end of the financial year.

In February 2022 the Council set a balance budget for the 2022/23 year. The net revenue budget stood at £177.483m, with the Council approving an increase in Council Tax of 1.94% and the inclusion of a 1% social care levy. The budget included the use of £14.355m of reserves in 2022/23 and a savings target of £16.364m.

The Council reported the 2022/23 final overspend on the revenue budget of £2.329m, against a budget of £178.922m. This included funding of £19.387m from earmarked reserves and a £1.767m contribution from General Fund Balances. The draw on General Fund Reserves to support the budget was significant in 2022/23. Reserves can only be used once. The outturn report noted that £13.698m of the £16.364m savings were delivered within the financial year.

Spend on the capital programme for the 2021/22 year was £45.736m, a £3.728m underspend. In 2022/23 the spending on the capital programme was significantly less than expected when the original budget was set.

The year end outturn report sets out that there was a £48.390m outturn against a budget of £65.074m. This is after the 2022/23 budget was reprofiled, so that £85.225m budget was transferred into the 2023/24 and 2024/25 financial years.

However, in the summer of 2023, the Council declared itself to be in a state of financial distress. It then established a voluntary Finance Improvement Panel, with support from CIPFA and the LGA, to review all its financial systems and processes. The work of this panel included a review of the policy on reserves; production of the recently approved Treasury Management strategy; the beginning of a zero-based budget exercise across every department and a review of the staffing structures across the finance service.

The work of the Financial Improvement Panel identified the Council did not have a clear understanding of its financial position or of the Council's cost base. The level of usable reserves available to the Council, whilst declining, was higher than reports to members had previously indicated. As a result, leadership of the Council's finance team changed with the appointment of a new Interim Section 151 officer. A substantive appointment was made in autumn 2024 and work is now underway to better understand the Council's financial position and challenges and to update the medium term financial planning to ensure the Council is more financially sustainable.

Arrangements for the identification, management and monitoring of funding gaps and savings

The Medium Term Financial Strategy (MTFS) is a four year plan which sets out the resources available to deliver the Council's overall commitment to provide services that meet the needs of people locally and that represent good value for money.

A key part of the MTFS is to highlight the budget issues that need to be addressed by the Council in each of the years covered. This includes assumptions to allow forecasting of the level of available resources from all sources together with the budget pressures relating to both capital and revenue spending. It also assesses the adequacy of reserves and provisions held for past events which may impact on the Council's resources.

The financial plans were developed based a number of estimates and assumptions. These included:

- Pay awards
- Price inflation
- Provisional local government settlement
- Other government grant support
- Council tax rises and the Adult Social Care precept
- Business Rates including pooling and the business rates retention pilot
- Income from other fees and charges.

We have reviewed the assumptions used and are satisfied these were appropriate at the time, reflecting the professional judgement of the finance team. However, it is clear the level of reserves available to the Council was not properly understood.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability – Continued

The Council's 2021/22 and 2022/23 budgets were set and reflecting the financial challenges the pandemic had brought. There were still some significant uncertainties, particularly with the funding assumptions for future years which remain unknown largely due to the fact that local authorities continue to work with single year settlements.

The funding gap in the 2021/22 budget was £20.4m which was significantly higher than previous years due to the impact of the pandemic. The Council approved a one-off use of reserves to avoid any long term budget reductions. Savings options of £8,056m were identified.

The funding gaps identified as part of the 2022/23 and 2023/24 budgets were £9.929m and £15.131m respectively. The Medium Term Financial Plan for future years now reports a budget gap for 2025/26 of £10.627m and 2026/27 of £4.327m bringing a cumulative three-year budget gap of £30.085m.

Following the independent reviews of the Council's financial position undertaken in the autumn of 2023 and spring of 2024, and the reassessment of the level of reserves available to the Council, the budget for 2024/25, presented to Council on 21 February 2024, set out the Council's budget requirement for the 2024/25 year as a net revenue budget of £209.608m. This included an approved use of reserves of £15.131m. Following updates to the Local Government Finance Settlement, a further review of fees & charges and a representation of the budget, Council on 17 July 2024 approved an updated net revenue budget of £224.480m and a £1.982m reduction in the use of reserves from £15.131m to £13.149m.

However, the 2024/25 quarter 1 position presented to 25 September 2024 Cabinet showed projected forecast £2.620m overspend (1.17%)..

The budget setting process for 2025/26 is now underway. There is a recognition that, in setting this budget, the Council will need to make investments in a range of areas in order to improve services for local people and also to transform the way the Council operates. This, together with some known financial pressures arising from increasing demand and continuing pay and price inflation means the Council knows it has a significant financial challenge to be able to set a balanced budget. As a consequence, the delivery of agreed savings plans will be essential. The Council will also need to use reserves to help to achieve a balanced position although there is a recognition that this approach cannot continue so work is also underway to refresh the medium term financial plan to support longer term financial sustainability without the need for exceptional financial support.

Dedicated Schools Grant (DSG) deficit – Project Safety Valve

The Council also has a significant deficit on its Dedicated Schools Grant (DSG) reserve. As a result, it entered into a Safety Valve agreement with the Department for Education (DfE) in 2021 which aimed to eradicate the DSG deficit by the end of the 2024/25 financial year. The work undertaken to date has had an impact and is starting to reduce the DSG deficit position, however the progress has not been sufficient to stay on track.

In March 2024, the Council and the DfE signed a revised DSG Management Plan. As part of this plan, the Council has agreed to reach a positive in-year balance on its DSG account by the end of 2028/29 and in each subsequent year. The Council has also agreed to implement the action plan agreed with the DfE and to complete ongoing monitoring of Council performance in fulfilling this agreement.

The DSG deficit position is slowly improving year-on-year, with the year end deficit balances standing at:

- 31 March 2022: £21.473m
- 31 March 2023: £18.601m
- 31 March 2024: £18.459m

However, during the 12 months to 31 March 2024, the deficit reduced by just £0.142m. In the four years since Bury entered into the Safety Valve agreement they have received £15m additional DSG funding from the DfE in the years 2020/21 to 2023/24.

In May 2024 OFSTED published the results of its inspection of SEND services. The findings from this inspection concluded there are widespread and/or systemic failings leading to significant concerns about the experiences and outcomes of children and young people with special educational needs and/or disabilities (SEND). The DfE have confirmed that they will work with Bury to ensure the response to the OFSTED inspection outcome and their Safety Valve activity are aligned.

Based on the above considerations we have identified a significant weakness in the Council's arrangements in relation to financial sustainability over the period from 2021/22 to 22/23.

Governance

How the body ensures that it makes informed decisions and properly manages its risks

VFM arrangements – Governance

Overall commentary on Governance

Risk management and monitoring arrangements

Bury Council has a risk management system in place which is included in the governance structure of the organisation. As part of the Council's governance framework, the Audit Committee has been responsible for ensuring that risk management arrangements are in place and are regularly reviewed to ensure they are working effectively.

Each department maintains and updates its own risk register, which then feeds into the Council-wide corporate risk register. We have reviewed an example department register and confirmed it is sufficiently detailed. Each risk has an assigned risk owner and a risk score based on the likelihood and impact matrix. Where mitigating actions are identified they are also assigned an owner(s) to ensure there is appropriate accountability.

Work was undertaken during 2021/22 to refresh the way the Council manages risks and to produce a comprehensive risk register reflecting not only those risks identified on individual departmental registers, but also those risks of a corporate nature. The Corporate Risk Register does not cover all risk but rather those that are cross cutting and strategic. These risks are defined as those with the potential to disrupt the Council's ability to meet its strategic and operational objectives. These risks are agreed by the Executive Team as warranting regular scrutiny to help minimise future financial risks and adverse implications.

The corporate risk register is a live document subject to review by the Executive Team on a quarterly basis in alignment with the schedule of meetings for the Audit Committee. It is then presented to the Committee for scrutiny with some risks then identified for a more detailed review by members.

Although the Council has a documented approach to managing risks, this is not fully embedded across the Council. In August 2023 a national issue relating to the use of Reinforced Autoclaved Aerated Concrete (RAAC) in buildings was identified. The Council was required to inspect all of its buildings to assess whether RAAC was present and therefore presented a risk to safety. The risk was not added to the Council's risk register until December 2023. The DfE set up a process to ensure all schools were inspected so that mitigating safety measures could be taken if required. All schools in Bury were inspected in accordance with the DfE requirements and no RAAC was identified. By the end of October 2023, RAAC had been identified in the Market Hall building. The Council dealt with this by immediately closing the market to ensure public safety. However, progress in inspecting all other Council buildings has been slow. At the time of writing this report, the Council cannot confirm whether all buildings have been inspected for the existence of RAAC and cannot confirm action has been taken to address any risks. In our view, this is evidence that the Council's risk management framework is not necessarily driving the completion of effective mitigating action.

Internal Controls

In order to provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Council has a team of internal auditors, led by the Acting Head of Internal Audit. Annual Internal Audit Plans were agreed with Management at the start of each financial year and reviewed by the Audit Committee prior to final approval. The plans for both 2021/22 and 2022/23 were approved by Committee in July 2021 and July 2022. Subsequent changes to the plans were appropriately reported and approved.

The internal audit plans were based on an assessment of the risks the Council faced and were determined to ensure assurance could be provided on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. We have reviewed the internal audit plans for 2021/22 and 2022/23 and confirmed they follow a risk based approach. The risk rating for each audit area determined the frequency of audit, with key areas such as key financial systems being subject to annual audit procedures.

Internal audit progress reports are presented to each Audit Committee meeting, including follow up reporting of recommendations not implemented by agreed dates. At the end of each financial year the Acting Head of Internal Audit provided an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. For 2021/22, the Acting Head of Internal Audit concluded that moderate assurance could be given that significant risks facing the Council are addressed.

During 2021/22, the Internal Audit completed and issued 25 reports, of which ten reported only limited assurance. These reports included the main financial systems such as creditors, debtors, cash and bank and the main accounting system. Follow up audits were undertaken on 12 areas, some more than a year after the original report date. Despite the passage of time since the original report was issued, these follow up reviews provide evidence that actions agreed in response to recommendations are not consistently implemented.

The Head of Internal Audit opinion for 2022/23 also gave an overall moderate level of assurance opinion. During 2022/23, 25 internal audit reports were issued and of these, nine were a limited level of assurance. As in the previous year, the limited assurance reports included those in relation to the main financial systems including creditors, debtors, cash and bank and the main accounting system.

We have also considered the Head of Internal Audit's opinion of the 2023/24 financial year. We note that the overall level assurance provided to the Council remains at moderate. However, this opinion was issued before the work on the main financial systems for the 2023/24 year was finished and as such, these reviews were not taken into account.

VFM arrangements – Governance

Overall commentary on Governance

Internal Controls

Disappointingly, once the work for 23/24 was finished, the Head of Internal Audit is still only able to provide limited assurance in respect of the Council's main accounting system, cash and bank arrangements, and debtors. The opinion in respect of creditors had improved to be moderate for the year.

In respect of cash and bank, Internal Audit have reported that it was not possible to obtain assurance that actions required in relation to a Payment Card Industry Data Security Standard audit review undertaken in 2020 had yet been implemented. As a result, Internal Audit were unable to confirm the Council was compliant with this standard. Internal audit was also unable to gain assurance that amounts posted to individual income codes were being reconciled back to the general ledger.

In respect of the main accounting system review reported in August 2024, Internal Audit reported that:

- periodic reviews of all user permissions on the Unit 4 system are not undertaken. As a result, officers may have access rights beyond those required for their role;
- bank reconciliations are undertaken on a monthly basis. However, they are not undertaken on a timely basis and there is a delay in completion. Reconciling items are not always cleared and reconciliations are not subject to review by a Senior Finance Officer; and
- no formal records exist to evidence the budget monitoring undertaken for each service.

In addition, Internal Audit undertook a review of rent collection from commercial tenants. This also provided only limited assurance about the controls operating. This review found a significant number of issues relating to the Council's let estate. A large number of leases have passed their renewal dates and have been 'held over' for a significant amount of time. Rent reviews are also outstanding. The Council is likely to be losing income as a result.

In our view, this is evidence the finance team restructure undertaken in 2022 and 2023 has left the Council without the capacity, skills and experience required to operate systems and processes as required to maintain an adequate system of internal control.

Furthermore, in the 2021/22 year, the Audit Committee changed its approach in relation to limited assurance reports received from Internal Audit. As a result, Committee now requires the relevant Head of Service to attend the Audit Committee to explain the actions put in place following the internal audit review. This arrangement was intended to allow members to hold the service areas to account and to provide for more robust challenge.

We attended all of the Audit Committee meetings from 2021/22 to date. From our attendance at these meetings, we confirmed the Committee receives regular updates on both internal audit progress and risk management. We have seen active member engagement from the Audit Committee in challenging the papers and reports which they receive from officers, internal audit and external audit. Notwithstanding this challenge, the Audit Committee's intervention is not driving management to take actions in response to either risks

identified or internal control weaknesses.

Arrangements for budget setting and budgetary control

The Council's approach to budget setting aligns to the Bury 2030 corporate plan.

The budget setting process in 2021/22 and 22/23 operated in the same way as in previous years. It involved regular meetings between Services and Finance Leads to discuss the financial position and emerging pressures, delivery of savings plans and opportunities for future service redesign, savings or efficiencies.

The initial budget and associated proposals go through a number of iterations with Executives, Policy advisory group, Overview and Scrutiny Finance and Performance Sub Group before being formally presented to Cabinet and then final consideration and approval by Council.

Throughout the 2021/22 and 2022/23, budget monitoring was undertaken and reports were taken to cabinet quarterly, however these reports were not always taken on a timely basis. In 2022/23 the outturn report confirmed transfers from reserves were in excess of the planned use of reserves per the budget. This suggests that budget monitoring arrangements in year were not effective. For reporting to be effective it should be reported in a timely manner, for 2021/22 the outturn report was taken to cabinet over five months post year end.

As in previous years, budget monitoring is the responsibility of budget managers with the support of the Finance team. Monthly budget meetings are held with budget holders and departments to discuss progress against the financial forecasts. Significant variances are reported to cabinet quarterly with explanations provided.

Decision making arrangements and control framework

Bury has an established governance structure in place which is set out within its Annual Governance Statement. This is supported by the Council's Code of Corporate Governance, the Governance Framework, the Constitution and scheme of delegation. Decision Making processes are formally set out in the Council's Constitution.

The Council constitution was updated during 2020/21 and Members agreed that it would be reviewed annually to ensure that the changes proposed as a result of the review were fit for purpose. The Council subsequently appointed a new Monitoring Officer with responsibility for oversight of the Constitution.

A further review and revision has been carried out in 2021/22, with the revised Constitution being approved by Council members in November 2021.

VFM arrangements – Governance

Overall commentary on Governance – Continued

The Council operated four Scrutiny Committees and 2 sub committees responsible for ensuring robust scrutiny of decisions made by Cabinet. The Committees call in decisions and hold Portfolio Holders to account for Council performance.

The role and responsibilities of the Audit Committee are established within the Council's Constitution.

The Council's Audit Committee had responsibility for overseeing the work of the Internal and External Audit functions. It provided Full Council with assurance on the effectiveness of:

- The governance arrangements of the Council and its services.
- The Council's risk management framework and the associated control environment.
- The Council's financial management processes and the way this relates to the performance of individual services and the Council as a whole.

The Council has in place all relevant policies which we would expect including policies on:

- Gifts and hospitality;
- Codes of conduct;
- Declarations of interest; and
- Whistle blowing.

Although there is a Declarations of Interest policy in place, our audit testing of the related party disclosures in the 2021/22 financial statements highlighted issues with the completeness of the declarations received from both officers and members.

Audit of the 2021/22 Statement of Accounts

Draft accounts were received from the Council on 29 July 2022. However, as in previous years, the draft accounts were not prepared to the required quality standard and contained a number of significant internal inconsistencies and errors. This indicated the draft statements had not been subject to an appropriate quality control review before they were made available on the Council's website for public inspection. Furthermore, the finance team made changes to the disclosure notes and balances within the draft accounts between publishing them for public inspection and the start of the audit.

As the audit commenced, it became clear the working papers and supporting information required to support the audit were not always available and were being prepared as we requested them. Some of the working papers provided did not agree to the figures in the draft accounts and others contained errors. During the course of the audit, we encountered a number of significant difficulties including in relation to the Council's valuation of its Property Plant and Equipment and in agreeing the accounting treatment applied to valuation

movements to ensure compliance with CIPFA code.

Our audit testing also identified some significant issues with large unreconciled differences on control accounts including the debtors control account. We identified some individual debtor account balances, with a total value of £1.8m, which were so old as to be no longer collectable. In addition, at the time of our audit, there were weaknesses in the Council's approach to completing bank reconciliations. As a result, one account with a relatively small balance had been missed from the accounts completely and there were unreconciled differences in the schools bank account reconciliations for both income and payments.

A significant number of amendments, some of them material, have been made to the financial statements and the 2021/22 audit has been a protracted process. Unfortunately, by late November 2024, we had still not been provided with all of the information we required to conclude our work. As a result, we have been unable to complete our audit work by the statutory deadline of 13 December 2024 and have issued a disclaimed opinion on the financial statements.

The challenges in the closedown and audit for 2021/22 followed a difficult and delayed audit in the previous year. A lessons learnt exercise completed in respect of the 2020/21 audit was reported to the Audit Committee to outline how the issues identified would be addressed. However, the agreed actions necessary to secure the improvements were not taken. In part, this was because the interim Chief Accountant who was working with the Council and who produced the action plan for improvement left. A replacement interim Chief Accountant was engaged in March 2022 but also left the Council before the audit was complete.

The finance restructure undertaken in 2022 meant some long-established staff, who had been involved in the accounts close down process for many years, left the Council. This has caused some loss of continuity and corporate knowledge, particularly as both the senior accountant and the capital accountant left and other key staff were absent due to sick leave. Interim staff were appointed to try to bridge the gaps in technical skills. The cost of such interim staff can be relatively high and the lack of corporate knowledge can make their role difficult.

A new permanent Chief Accountant took up post on the 6th March 2023 and has made progress in reviewing timetables, providing training and establishing model working papers. These have been used for the 2023/24 closedown. However, there is more to do to make sure the finance function of the Council is appropriately resourced and has the capacity, skills and technical knowledge to provide appropriate financial reporting as well as to support the wider business of the Council.

VFM arrangements – Governance

Overall commentary on Governance – Continued

Regulators

We reviewed the regulatory reports issued in respect of the Council.

Information Commissioners Office (ICO)

The ICO published a report in August 2021 following a data protection audit carried out at the Council in June 2021. The report by the ICO made 79 recommendations which have also been categorised by priority. Of these, seven recommendations were considered urgent and a further 24 were high priority. The scale of the findings from the ICO report represents a significant weaknesses in the Council's internal control arrangements.

In March 2022, a report was taken to Audit Committee setting out progress within the detailed improvement delivery plan to address the issues. Although progress has been made in line with the improvement delivery plan, by March 2022, some nine months after the inspection, and six months after the final report was received, not all of the actions in respect of the ICO's recommendations were fully implemented. Whilst all of the urgent recommendations were reported to be complete, the report to audit committee noted 12 of the 79 recommendations were still in progress.

However, when a further review by the ICO was undertaken in April 2022, the report identified 22 recommendations as still outstanding. This included some originally identified by the ICO as urgent or high priority. This is evidence of the Council's failure to recognise the importance of implementing the actions require to improve but also of its inability to understand whether actions reported as taken are in place and are effective.

Ofsted

A focused visit in October 2020 highlight that the quality of practise had deteriorated since its previous inspection in 2016, there had been instability in the senior leadership team and a lack of focus on the improvements required. Follow up visits were subsequently made along with a further inspection in 2021. The most recent full inspection of Children's Services by Ofsted was carried out between 25 October and 5 November 2021. The service was assessed as "Inadequate".

The headline findings in the Ofsted report noted "There are serious failures which leave too many children at risk of harm in Bury." Ofsted also reported that since it undertook it's last focused visit in October 2020, the quality of practice at the Council had deteriorated, there had been significant instability in the senior leadership team, and there had been a lack of focus on the areas of improvement needed.

Recognising some of the issues with its Children's Services, the Council had already commissioned a peer

review. This appropriately identified a number of the issues subsequently identified in the Ofsted report. The peer review led to the establishment of an Improvement Board. However, at the time of the Ofsted inspection the Improvement Board was new and had not brought about the level of change required following the peer review. The appointment of new interim senior leaders in September 2021 had provided opportunities for improvements to be actioned, but these had not yet become effective by the time of the Ofsted inspection.

Following the publication of the Ofsted report, the Improvement Board arrangement was strengthened. It is now chaired by an independent advisor appointed by the DfE. The Improvement Board met in January 2022 to approve its revised Terms of Reference and membership. The Board receives reports setting out the progress against the improvement plan. This plan is organised around 3 key themes: leadership and management, quality and impact of practice on the outcomes for children, and workforce. A separate workforce board has been established to facilitate input from staff to the Improvement Board.

The Children and Young People's Scrutiny Committee in January 2022 considered the Ofsted report and the report on the Council's response. The final improvement plan was submitted to Ofsted.

The Council has made available finances to invest into Children's Services in order address the remedial actions. This investment has been used to recruit additional staff, in order to reduce social worker caseloads as a step to improving the quality of practice. External managed teams have also been commissioned by the Council to support staff by immediately providing additional service capacity.

A six-month review was undertaken by Ofsted in February 23. This report identified positive progress and some emerging strengths. The strengths noted were a restructured and stable leadership, a commitment to invest as evidenced by 50 new posts, and the implementation of family safeguarding model. The report concluded the Council should continue to address areas of concerns and DFE continue to monitor progress.

A further monitoring visit was undertaken by Ofsted in November 2023. Findings from this visit noted a delay in implementing the changes still needed. As a result, Ofsted concluded outcomes for care-experienced young people remain too inconsistent. Ofsted also found progress has been hindered by a lack of management capacity at both service manager and assistant director level to implement the improvement plans, and that a performance culture is not embedded.

The "inadequate" rating from Ofsted following their inspection, and the lack of progress noted by Ofsted at their follow up visits, indicates a risk of significant weaknesses in proper arrangements and sufficient progress has not been made to address the findings.

VFM arrangements – Governance

Overall commentary on Governance – Continued

In May 2024 Ofsted published the results of an inspection of the Council's SEND services. The inspection took place between 12 and 16 February 2024. The inspection outcome concluded "*there are widespread and/or systemic failings leading to significant concerns about the experiences and outcomes of children and young people with special educational needs and/or disabilities (SEND), which the local area partnership must address urgently*".

Bury Council and NHS Greater Manchester Integrated Care Board (ICB) are jointly responsible for the planning and commissioning of services for children and young people with SEND in Bury. Ofsted have provided a list of priority actions for the Council and the ICB to implement.

As a result of the inspection outcome, the Bury local area has produced a Priority Action Plan; the Council's 'Priority Impact Plan' (PIP). The PIP has been co-produced with stakeholders, including parents and carers and is the strategic plan for SEND, setting out what needs to be delivered in the next 18-24 months with key milestones and key performance indicators.

The SEND Improvement & Assurance Board (SIAB) is accountable to the Cabinet within the Council, and to the GM Integrated Care Board via the Locality Board, which operates as a sub-committee of the ICB Board. The first meeting of the SIAB took place in June 2024.

Our work highlights a continued significant weakness in relation to the Council's arrangements for ensuring there is a sound system of internal control and risk management in place.

05

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness

Performance Management

In 2021 a corporate strategic planning process was established, which provided an annual, integrated strategic corporate plan for the Council and (the then) Bury Clinical Commissioning Group (CCG) partnership to guide the partnership's delivery against the Let's Do It! Vision.

The Council continues to monitor its progress against its Corporate Plan with progress being reported to the Executive team on a monthly basis and Cabinet on a quarterly basis. As reported previously the Council's Performance Management Framework sets out how the progress against the Corporate Plan is managed and reported on. Departmental performance is monitored against a set of agreed measures with each department managing performance within its own departmental processes. The departmental performance monitoring feeds upwards into the Directorate Business Plans and the Corporate Plan.

In 2021/22 the corporate plan sets out 15 council across three strategic themes grouped around the Council's 3 "Rs" of Respond; Recovery; and Renewal. In February 2022 the Council refreshed the Corporate Plan for the 2022/23 year. The plan continued to focus on the 15 priority areas but committed to "strengthening the basics" in terms of the Council's services and internal operations. Within the 2022/23 refresh the Council acknowledged the significant challenges in the delivery timeframe over which it expected to see outcomes.

Although the Council had an established and agreed Corporate plan and performance monitoring framework, this is not working effectively enough to ensure services provided by the Council are good. In recent years, there has been a number of failings within Council services most notably:

- inadequate services for children's and young people assessed by Ofsted inspection rating
- significant concerns raised by Ofsted in relation to the Council's SEND services
- failure to deliver the service changes to support the DfE's Safety Valve programme

There has been regular reporting of performance against the key indicators. We have reviewed a sample of the minutes and a sample of the Corporate Plan delivery update reports presented to Cabinet which evidence the performance management framework. The update reports to Cabinet contain appropriate information on both performance against high level outcomes. Notwithstanding this regular reporting, performance falls below the Council's expectations in a number of service areas.

Partnerships and Commissioning

The Council works in partnership with a range of third parties, both under statutory and other arrangements to provide services. These partnership arrangements are subject to review. The Team Bury Executive Board brings most of these partner organisations together to support the delivery of the Council's ambitions articulated through its community strategy and local community plans.

The Council is open to considering all models for the delivery of service. This means that some services are provided directly by the Council and others are contracted out to third parties. To support this, the Council has a Procurement Strategy and set of Contract Procurement Rules, which are part of the Constitution, and which outline how the procurement of goods, works and services is to be achieved. These documents take into account latest legislative and operational changes at the Council. Controls are designed to ensure that all procurement activity is conducted with openness, honesty and accountability.

Revised contract and procedures rules were approved and implemented in April 2021 with a new procurement strategy in October 2022. The October 2022 strategy replaced the Council's previous strategy which had been overdue for renewal since 2015. The new strategy was written for the Council by a third party and covers the period 2022- 2026. Once approved, ownership of delivery of the strategy transferred to the Council's strategic procurement team. A further review of the Council's contract procedure rules was undertaken and approved by Council in December 2022 with an implementation date 1 February 2023.

However, the Council does not have a fully resourced procurement and contract management function. As a result, it cannot be sure the services it procures from third parties are being delivered in accordance with contract terms. The Council should take action to address this gap.

The Council is open to changing delivery models where it believes it can get a better outcome. It commissioned a review of the housing management arrangements of its wholly owned subsidiary Six Town Housing in late 2022. This review revealed high levels of dissatisfaction for tenants across the range of housing services. As a result, in June 2023, the Council took a decision to directly manage all of its housing stock including those previously managed by Six Town Housing. Following a formal Cabinet decision, services were brought back into the Council in a transfer that was completed in February 2024.

We have identified a significant weakness in arrangements against the economy, efficiency and effectiveness reporting criteria as a result of the matters arising from the Ofsted's inspection of Children's Services.

06

Identified significant weakness for 2021/22 and 22/23 and our recommendation

VFM arrangements - Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements

As a result of our work, we have identified a significant weakness in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below.

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement
<p>Financial Sustainability</p> <p>The Council's budgets for the 2021/22, 2022/23 and 2023/24 financial years all relied on significant use of reserves to get to a balance position. In 2022/23 the Council did not meet its budget and relied on a further use of reserves.</p> <p>In addition to the use of reserves to balance its general fund budget, the council has also accumulated a large deficit balance in relation to Dedicated Schools Grant, which stands at £18.459m as presented in the council's draft 2023/24 statements. Although the council entered into a Safety Valve agreement with the Department for Education in 2021, it is not on track to eradicate its deficit by the end of 2024/25 which was the timetable agreed with the department. An amendment has been made to the council's DSG Management Plan and agreed with the department which has a timeframe of the end of 2028/29, however the statutory override that allows the deficit to not affect the council's general fund expires on 31 March 2026.</p> <p>In summer 2023 the Council declared itself to be in a state of financial distress, and established a voluntary Finance Improvement panel to review its financial systems and pressures. Although progress has been made in understanding the sources of funding available to the council, including exploring the flexible use of capital receipts, the council still faces significant inflationary pressures as a result of having historically made the decision to outsource a large proportion of the delivery of its services. To date the Council has not fully explored income generation opportunities to support the financing and continued delivery of its services, and the current direction (issued in August 2022) covering flexible use of capital receipts ends in the 2024/25 financial year.</p> <p>The issues set out above are evidence of a significant weakness in the council's arrangements for financial sustainability and governance, specifically how the council plans finances to support the sustainable delivery of services, how the Council identifies and manages risks to financial resilience and how the council approaches and carries out its annual budget setting process.</p>	●	●		<p>The Council should undertake a full review of how it delivers and funds its services, including developing and implementing sustainable financial plans to ensure services can be provided within available resources. Sufficient information should be provided to Members so they can understand the position of the council and actions.</p> <p>Any planned use of capital receipts flexibilities should be fully supported and in-line with the statutory guidance and in the timeframe allowed by the current direction.</p>

07

Follow up of previous years recommendations

VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in the prior year

As part of our 2020/21 audit work, we identified the following significant weaknesses, and made recommendations for improvement in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below, along with our view on the Council's progress against the recommendations made, including whether the significant weakness is still relevant in the 2022/23 year.

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>Ofsted Inspection: Children's Services</p> <p>The most recent full inspection of Children's Services by OFSTED was carried out between 25 October and 5 November 2021, the service was assessed as "Inadequate". The Council was already aware of the improvements required to the service due to an internally commissioned peer review. However, the short time between the peer review and the Ofsted inspection meant these improvements had not yet been made. The issues highlighted in the peer review carried out in June and July 2021 indicates that there were issues within Children's Services within the 2020/21 year. Following the publication of the Ofsted report, the Improvement Board, initially established following the peer review, was strengthened and is now chaired by an independent advisor appointed by the Department for Education. The Council have drafted an improvement plan for the service which will be submitted to Ofsted by 31 March 2022 in line with the Department for Education's improvement notice deadline. The Council recognises that a failure to address the weaknesses identified in the Ofsted report could adversely impact upon the safety of children. In our view this is indicative of a significant weaknesses in the council's arrangements in relation to the governance and improving economy, efficiency and effectiveness reporting criteria.</p>	<p>Governance</p> <p>Improving the 3Es</p>	<p>We recommend the Council puts in place robust arrangements to ensure the actions identified in its improvement plan are being delivered on time and are having the required impact on the quality of service provided to, and the safety of, children in the Borough.</p>	<p>The latest monitoring visit was undertaken by Ofsted in November 2023. Findings from this visit noted that there has been a delay in implementing the changes needed and as a result outcomes for care-experienced young people remain too inconsistent. Ofsted also found that progress has been hindered by a lack of management capacity at both service manager and assistant director level to implement the improvement plans, and that a performance culture is not embedded.</p>	<p>In our view, the identified weaknesses are still present in both the 2021/22 and 2022/23 financial years.</p>

VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in the prior year - Continued

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>Weaknesses in Internal Control Our 2020/21 Audit Completion Report highlighted several issues including the poor quality of the draft accounts submitted for audit and the significant difficulties encountered during the audit process because of problems with underlying records. The issues identified affected significant balances within the draft accounts published by the Council, such as Property, Plant and Equipment and the Dedicated Schools Grant (DSG) deficit.</p> <p>Additionally, internal control weaknesses have been highlighted by both Internal Audit and the Information Commissioner’s Office (ICO). Internal audit reports with limited assurance include the main accounting system, creditors, debtors and cash and bank.</p> <p>In our view, the totality of the issues identified indicate a significant weakness in relation to the governance reporting criteria.</p>	<p>Governance</p>	<p>With reference to the weaknesses in internal control identified, the Council should ensure it has arrangements in place for strengthening and maintaining the adequacy and effectiveness of the internal control framework.</p>	<p>The lessons learnt exercise completed post 2020/21 which was reported to the Audit Committee to outline how the issues identified in the 2020/21 external audit will be addressed did not materialise. The improvements needed did not occur as the interim Chief accountant who was working with the Council and who produced the lessons learnt and plan for improvement left the Council before the end of March 2022. A replacement interim Chief accountant was engaged in March 2022 but did not see out the external audit leaving before the audit had concluded.</p> <p>The permanent Chief accountant took up post on the 6th March 2023 and has made progress in reviewing timetables, providing training and establishing model working papers. However, there is more to do to ensure the Finance team has the capacity, skills and experience required to support the Council.</p> <p>Internal audit have continued to report weaknesses in internal control with a high number of limited assurance reports in 2021/22 and 2022/23, including in respect of the main financial systems including creditors, debtors, cash and bank and the main accounting system.</p> <p>Not all of the actions required in response to recommendations made by the ICO have been implemented. Furthermore, reports to Audit Committee in the period between the ICO’s reviews were misleading about the extent of progress being made by Management.</p>	<p>In our view, the identified weaknesses are still present in both the 2021/22 and 2022/23 financial years.</p> <p>It is concerning that more progress has not been made, specifically with reference to the repeating limited assurance reports from internal audit on the key financial systems.</p>

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