Auditor’s Value for Money Report

Bury Metropolitan Borough Council – year ended 31 March 2024

February 2025

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VFM arrangements

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 or 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 officers

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 on page [x].

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's 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 outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
Financial sustainability	11-14	Yes	Yes – see recommendation on page 26	No
Governance	15-20	Yes	Yes – see recommendations on pages 24 and 25	No
Improving economy, efficiency and effectiveness	21-23	Yes	Yes – see recommendation on page 24	No

VFM arrangements

Financial Sustainability

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
During 2023/24 the Council continued to face significant operational and financial challenges. Against a backdrop of an adverse national economy and a cost-of-living crisis, the Council continued to see significant increase in demand for its services.

The financial impact of the pandemic on the Council continues to feature with loss of income and additional costs. The Council has continued to work to understand the longer-term impact of the pandemic, and to adapt its financial plans over the medium term.

In response to these pressures, it is essential the Council has timely and accurate financial reporting to members and senior management, and decision makers make prompt decisions to maintain the financial sustainability of the Council.

2023/24 Financial performance
We have undertaken a high level analysis of the financial statements for 2021/22 to 2023/24, including the Movement in Reserves Statement and the Balance Sheet. The 2023/24 draft statements of account show a declining financial position compared to prior years.

The most significant change in the balance sheet relates to movement in the Council's share of the pension fund net asset/liability, which moved to a net pensions asset in 2022/23 for the first time. The net asset position was also typical across the sector for the 2022/23 financial year. However, the pension asset is not a usable reserve the Council can access. The 2023/24 accounts show a net nil position for the pension fund position, again this position is typical across the sector for the 2023/24 financial year.

Although the Council's cash balance has increased by £7.3m from 31/03/23 to 31/03/24, the cash position is still much lower than 31/03/22. Borrowings have increased by £20m over the twelve month period to 31/03/2024.

Total general fund reserves have been declining over the last few years. The balance stood at £140m at 31/03/2022 but had dropped by almost £36m as at 31/03/23. The Council's £104m of 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.

	31/03/22 £m	31/03/23 £m	31/03/24 £m
Property, Plant & Equipment	588.1	637.3	639.0
Cash and Cash equivalents	34.8	(5.7)	1.6
Total Current Assets	94.8	51.9	81.3
Total Borrowing	(222.3)	(245.3)	(265.2)
Share of the Net Pension Fund Asset/ Liability	(230.4)	90.7	-
Earmarked Reserves	115.5	91.8	94.4
General Fund	24.5	22.7	10.0
Total General Fund (including Earmarked)	140.0	114.5	104.4

The minimum revenue provision (MRP) charge for 2023/24 year included in the draft accounts is £2.5m (2022/23 £1.7m). This equates to spreading the opening capital financing requirement of £371.1m over roughly 148 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 or 2023/24, 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.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability – Continued

Financial planning and monitoring arrangements
In February 2023 the Council set a balanced budget for the 2023/24 financial year. However, this was set with a reliance on reserves of £4.802m and a savings target of £14.608m. The total net budget for Council services was approved at £210.813m with an assumed increase in Council Tax of 2.99% excluding the Adult Social Care Levy of 2%. Whilst challenging, the Council considered this to be achievable.

The budget was produced on the basis that the savings and efficiencies identified to close the full gap would be delivered recurrently. However, the report noted it may take up to four years in some cases for the schemes to deliver in full. Therefore, the Council proposed use of reserves and non-recurrent grants to smooth the position.

The transformation report presented to Cabinet ahead of the 2023/24 budget setting identified that £1m of procurement savings which were to expected to be delivered through both 2022/23 and 2023/24 were a duplicate of savings already being delivered within Departmental savings plans through contract negotiations and commissioning reviews. They were therefore deemed unachievable.

The Council reported a final overspend on the revenue budget of £6.607m for 2023/34 on a final revised budget of £190.274m. This included funding of £6.610m from reserves (£1.808m higher than budgeted). A significant amount of the overspend relates to Children and Young People services which reported a £10.505m overspend. The overspend in the Children and Young People service area was offset by an underspend of £4.784m in non-service specific expenditure.

During the year the Council reported its financial position to Cabinet on a regular basis. We have reviewed a sample of the reports presented for 2023/24. 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 budget report presented to Budget Council in February 2024 set out the Council's budget requirement for the 2024/25 financial year and provided details on the Council's reserves position. Council approved a net revenue budget of £209.608m for 2024/25, which included an approved use of reserves of £15.131m to balance the revenue budget. The budget report assumed an increase in Council Tax of 2.99% excluding the Adult Social Care Levy of 2%.

Spend on the capital programme for the 2023/24 year was £52.944m. In February 2023 Council approved the 2023/24 capital budget at £127.198m, which was later updated to £144.588m in July 2023 due to 2022/23 capital slippage. In-year capital programme reviews then led to the 2023/24 capital programme being reduced by £69.113m, from £144.588m to £76.475m.

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 of 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. Since then, work has been undertaken 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 it covers. 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.

VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability – Continued

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.

The Council's 2023/24 and 2024/25 budgets were set and reflecting the financial challenges of inflation due to the Ukraine war and the cost of living crisis. 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.

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 in 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 refresh of the budget, the Council 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 in July 2024.

However, the 2024/25 quarter 1 position presented to September 2024 Cabinet showed projected forecast £2.620m overspend. The position continued to deteriorate for Quarter 2. A projected forecast overspend of £3.011m was reported to Cabinet in December 2024.

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. Work is underway to refresh the medium term financial plan to support longer term financial sustainability. As a result of the significant work undertaken over the last few months, the Council now expects to be able to set balanced budgets over the life of the MTFP without recouse to exceptional financial support.

Dedicated Schools Grant (DSG) deficit – Project Safety Valve

The Council has a significant deficit on it's Dedicated Schools Grant (DSG) reserve. This has been building over a number of years. As a result, it entered into a Safety Valve agreement with the Department for Education (DfE) in 2021 which was intended to support the Council 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 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 the Council's 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 the Council has 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.

VFM arrangements

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.

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 Aeriated 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 mitigatingg 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 is still working through the process of assessing all buildings for the existence of RAAC. Although there is a process in place to undertake the work, the Council 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 plan for 2023/24 was approved by Committee in March 2023. 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 plan for 2023/24 and confirmed it follows 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 2023/24, the Acting Head of Internal Audit concluded that moderate assurance could be given that significant risks facing the Council are addressed. 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.

Disappointingly, once the work for 2023/24 was finished, the Acting Head of Internal Audit provided only limited assurance in respect of the Council's main accounting system, cash and bank arrangements, and debtors. It is not clear whether these outcomes would have impacted the overall level of assurance of moderate given the nature of the findings.

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.

VFM arrangements – Governance

Overall commentary on Governance

Internal Controls

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.

We attended all of the Audit Committee meetings during 2023/24 and 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.

From our review of internal audit update reports and our attendance at Audit Committee, we remain concerned that internal audit recommendations are not being actioned in a timely manner and are often outstanding for months after the initial agreed implementation date.

The seriousness of the position in this regard has been acknowledged by the Chief Executive and the Executive Leadership Team. In January 2025 , the Chief Executive identified the need for a "Sprint" which will require managers across the Council to implement and evidence, all outstanding audit recommendations by the end of March 2025. It is positive to see that the Executive Leadership Team are taking steps to improve the implementation of audit recommendations, however it is too early to tell if the new governance arrangements will deliver this.

Alongside this, in our view, this challenges the Council faces in operating its internal control framework effectively 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.

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 2023/24 ooperated 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 2023/24, budget monitoring was undertaken and reports were taken to cabinet quarterly. In 2023/24 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.

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 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.

VFM arrangements – Governance

Overall commentary on Governance – Continued

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.

Audit of the Statement of Accounts

In 2020/21 we raised a significant weakness linked to 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.

In 2021/22, as in the previous years, the draft accounts were not prepared to the required quality standard and contained a number of significant internal inconsistencies and errors. 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. A significant number of amendments, some of them material, were been made to the financial statements. 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 were unable to complete our audit work by the statutory deadline of 13 December 2024 and therefore we issued a disclaimed opinion on the financial statements.

Due to the issues with the quality of the draft financial statements, supporting working papers and underlying records in 2020/21 and 2021/22, there were significant delays in the audit process. This has led to us issuing a disclaimed audit opinion on the financial statements for the 2021/22 and 2022/23 years. Furthermore, due to the previous years significant issues and delays we have been unable to complete our audit of the 2023/24 financial statements by the statutory deadline of 28 February 2025 and therefor a disclaimed audit opinion has also been issued on the 2023/24 financial statements,

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.

Statutory Recommendation

In December 2024 we issued the following written recommendation to the Council:

We recommend the Council should, as a matter of urgency, develop a comprehensive Council-wide improvement plan to reflect the transformation and cultural change needed across all departments, to ensure the Council can deliver the range, level and quality of services that it deems appropriate and within its statutory responsibilities in a financially sustainable way.
As part of this, appropriate senior leadership and management is required to ensure the improvement plan delivers the required changes. Member oversight is needed to ensure the changes are embedded into the organisation.

Since this recommendation was issued the Council has been working on a comprehensive improvement action plan to map out how the required organisational improvements will be made. The Council has proposed new governance arrangements made up of six new delivery boards reporting up to the Executive Leadership Team:
- Governance and Assurance
- Property and Estate
- Finance
- Performance, Delivery and Transformation
- Regeneration and Sustainability
- Commercial

Each of the boards has an accountable Executive Director as chair. The terms of reference and general remits of these Boards are currently being developed. The boards will each have an annual work plan, with an action log to track progress. The formal meetings of each board are proposed to occur fortnightly until the end of the year.

The Executive Leadership Team are engaging with senior managers to explain the improvement plan actions for Bury and to stress the importance of a need for a Council-wide cultural change in order for the improvement plan to succeed. The Chief Executive is planning to hold the first Management Conference in early February 2025 to formally launch the new improvement agenda.

We recognise at that time of writing this report it has only been a short period of time since the issuing of the written recommendation and therefore it has not been possible to action all aspects of the recommendation and evidence progress. However, it is clear that the Executive Leadership Team are committed to making improvements and these are currently a work in progress.

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.

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 required to improve.

A July 2024 report to Audit Committee noted that in the period January to June 2024 there was a total of 85 data breaches, which shows no improvement on the previous 12 months. One of the data breaches was reported to the ICO as this included data traceable to a vulnerable person. The report also detailed a high number of staff members within the Council were non-compliant with the information governance training (279 officers non-compliant). Additionally, only 55% of Members had completed their GDPR 'Core' training.

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 its 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 2023. 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 should 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.

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VFM arrangements – Governance

Overall commentary on Governance – Continued

In December 2024 OFSTED published their findings from an October 2024 follow up visit. This noted further progress had been made since the previous report. OFSTED noted an improvement in the pace of actions since the appointment of a permanent director of social care and early help in May 2024. Whilst the December report was generally positive, it noted that, in some instances, it was too early to see the impact of the actions put in place and said there was still evidence of weaknesses in some areas.

Separately, and 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.

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.

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.

VFM arrangements

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

Despite having an agreed performance management framework in place, at the end of December 2024 only 54% of employees had completed a performance development review within the last 12 months. Without completing annual perfoamcne reviews it is likely that many staff members do not have a clear understanding of the expectations of their role and if they are meeting these expectations.

A new PowerBI Dashboard was issued to all line managers in January 2025. This provides access to individual level information on outstanding employee reviews and those due in the next three months, as well as mandatory training completion information. The Executive Leadership Team have also set a target for every staff member to have a performance development review by the end of March 2025.

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.

VFM arrangements

Identified significant weaknesses in arrangements and our 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 it 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
1	**OFSTED Inspection: Children's Services** 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.	Governance Improving the 3Es	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.	In December 2024 OFSTED published their findings from an October 2024 follow up visit. This noted further progress had been made since the previous report. OFSTED noted an improvement in the pace of actions since the appointment of a permanent director of social care and early help in May 2024. Whilst the December report was generally positive, it noted that, in some instances, it was too early to see the impact of the actions put in place and said there was still evidence of weaknesses in some areas.	In our view, the identified weaknesses are still present in the 2023/24 financial year.

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
2	**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. 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. In our view, the totality of the issues identified indicate a significant weakness in relation to the governance reporting criteria.	Governance	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.	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. 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. Internal audit have continued to report weaknesses in internal control with a high number of limited assurance reports in 2021/22, 2022/23 and 2023/24, including in respect of the main financial systems including creditors, debtors, cash and bank and the main accounting system. In January 2025 The Council has proposed new governance arrangements made up of six new delivery boards reporting up to the Executive Leadership Team. One of the boards has a focus on finance and is chaired by the Section 151 Officer. However, it is too early to tell if this board will bring around the required improvements.	In our view, the identified weaknesses are still present in the 2023/24 financial year.

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
3	**Financial Sustainability** 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. 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. 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. 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 is annual budget setting process.	Financial sustainability	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. 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.	Since this recommendation was issued the Council has been working on a comprehensive improvement action plan to map out how the required organisational improvements will be made. The Council has proposed new governance arrangements made up of six new delivery boards reporting up to the Executive Leadership Team. One of the boards has a focus on finance and is chaired by the Section 151 Officer. We recognise at that time of writing this report it has only been a short period of time since the issuing of the recommendation and therefore it has not been possible to action all aspects of the recommendation and evidence progress. However, it is clear that the Executive Leadership Team are committed to making improvements and these are currently a work in progress.	In our view, the identified weaknesses are still present in the 2023/24 financial year.

Other reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

We cannot formally conclude the audit and issue an audit certificate until the National Audit Office has communicated the work we are required to undertake as component auditors for the Whole of Government Accounts.

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