

# **VFM conclusion**

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# **- summary of**

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# **findings**

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**Slough Borough Council**

**Audit 2011/12**

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# Introduction

- 1 We are required to carry out sufficient work to enable us to reach a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.
- 2 The conclusion on the Council's arrangements is based on two criteria, specified by the Commission. These relate to the arrangements for:
  - securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
  - challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.
- 3 In addition we are required to consider whether the Council has in place proper arrangements in the specific areas as listed in the Code of Audit Practice.
- 4 This report brings together the key findings from the programme of work discussed and agreed with the Council's Corporate Management Team in February 2012 and set out in the Annual Audit Plan. The scope of the agreed audit coverage was as follows.

<b>Overall arrangements</b>	Procurement Resilience of the finance function Transactional services – transition Control environment
<b>Financial resilience</b>	Financial arrangements Management of financial and sector specific risks Budgetary performance Audit Commission financial resilience indicators Prudential borrowing and funding vehicles
<b>Challenging 3 Es</b>	Organisational stability Demonstrating outcomes Transactional services – client arrangements Audit Commission VFM profile

# Summary of findings

**5** Our work on the VFM conclusion is complete. Based on this work it is our current intention to issue an unqualified conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.

**6** Our work programme has involved following up the Council's response to two S 11 recommendations reported in last year's Annual Governance report; one on procurement and the other in relation to the resilience of the finance function. We are satisfied that the Council has responded appropriately to each of these recommendations and there is evidence of improvement in both areas.

**7** We have issued three draft reports covering the following areas:

- interim closedown of accounts;
- procurement arrangements; and
- use of consultants and temporary staff.

**8** These reports have been discussed and agreed with the Acting Assistant Director of Finance, the Strategic Director of Communities and Wellbeing and the Assistant Director of Professional Services respectively.

**9** Although our current intention is to issue an unqualified VFM conclusion and there are no matters that we propose to report by exception in our VFM conclusion, our work has identified a number of issues and opportunities for improvement that we want to highlight for the attention of management and members.

**10** A summary of our findings is set out in appendix 1. Key issues are summarised below.

## **Procurement**

**11** The Council's procurement procedures have improved over the last year. However, there is also a risk of non-compliance due to the fact that not all departments in every case refer their procurements to the centre. Now that a firm framework has been established, management should:

- focus on embedding processes and practices throughout the Council and reinforcing compliance with good procurement practice; and
- continue to evolve better procurement arrangements as suggested in the detailed report.

## **Resilience of the finance team**

**12** The Council has enhanced the capacity and capability of the finance function. However, the organisation remains overly reliant on temporary and interim staff and this needs to be addressed. To remedy this, management has been reviewing the structure of the finance function since June 2012 and expects to implement a restructure in the next two months together with the recruitment for two senior finance posts. The Council should:

- ensure the finance function forward plan is delivered as planned; key deliverables are met and permanent appointments to key posts are made within the specified timescales.

## **Closedown of accounts**

**13** The performance this year of the finance function in closing down its 2011/12 accounts is an improvement on the previous year. However, there are issues that need to be addressed and these will be reported in the forthcoming Annual Governance Report. To assist closedown next year, the Council should:

- consider incorporating interim accounts closure into the 2012/13 closedown programme learning from the experiences of the previous year.

## **Financial arrangements**

**14** The Council has adequate arrangements in place to identify and respond to financial pressures and to manage its finances in a sound and prudent manner. However, given the changes that are currently happening within corporate finance, management may wish to use 'Tough Times' as a reference source in any review it undertakes of its financial processes.

## **Reserves and balances**

**15** The Council actively considers its position on reserves and these are held at a prudent level. However:

- following publication of the final out-turn reserves position, Members should receive an updated report on the Council's reserves and balances to show how the position has changed from that included in the report to Cabinet dated 12 March; and
- investment and borrowing decisions, including those which impact on reserves and balances should be authorised by the Treasury Management Panel and authorisation and terms and conditions formally evidenced.

## **School finances**

**16** Although the balances held by schools have reduced in year they remain high relative to other LEAs. The Council's own Annual Governance Statement has identified opportunities for improvement in financial management within LEA controlled schools. To the extent to which you are able you should:

- continue to provide support and encouragement to school staff in the development financial skills and awareness;
- obtain assurances from schools that school balances are kept at prudent levels and aligned to strategic plans; and
- demonstrate, through the work of Internal Audit that sound financial management is in place and operating at all authority schools.

### **Capital programme**

**17** There has, once again, been a large under-spend on the Council's 2011/12 capital programme due to a combination of slippage and deferrals of major projects. Management should:

- review the capital programme in the light of the 2011/12 out-turn; changes in Council priorities and the decision on the LABV; and
- satisfy itself that slippage was not due to failures in programme management and ensure that arrangements to manage the capital programme are fit for purpose going forward.

### **Senior management structure**

**18** Since last year's Annual Governance Report, the Council has produced and launched a senior management re-organisation and has also undertaken other consultations on specific service areas.

**19** Despite the pressures brought by a protracted period of organisational change, services are largely being delivered to an adequate quality and we are unaware of any reported deterioration in service provision due to deterioration of capacity; skills or leadership.

**20** The Council has made good progress with the implementation of the new senior management structure. This needs to be completed and embedded to support the consolidation of structures within and across the wider organisation. The Council should:

- continue to monitor the delivery of departmental and management structures to ensure these are completed on time and produce planned outcomes.

### **Use of consultants and temporary staff**

**21** Overall the audit shows the Council has devised a rigorous approval and monitoring system for the appointment of consultants. However, management needs to:

- secure improvements in arrangements as set out in the detailed report, including ensuring that arrangements for obtaining employee declaration of interests are working effectively.

### **Workforce planning**

**22** The Council is planning for future workforce needs. Specific action that we have noted includes a staff satisfaction survey and a range of actions to tackle rising sickness absence. Management should:

- prepare a formal management response to the staff satisfaction survey and plan to re-visit the survey at some future date; possibly in a year's time to ensure that outcomes are achieved; and
- track the effectiveness of initiatives being launched to tackle high levels of sickness absence.



# Appendix 1 VFM conclusion – summary of findings

Table 1: **Specific lines of enquiry**

**KEY:** Green – arrangements adequate Amber – arrangements adequate – issues requiring management action Red – arrangements inadequate

Risk to VFM conclusion	Lines of enquiry	Assessment	Adequate arrangements
<b>Overall arrangements</b>			
Procurement	Assess Council's response to S11 recommendation and obtain assurances that operational arrangements are in place and operating effectively.	<p>A separate report has been produced. Findings are that the Council's procurement procedures have improved over the last year. The corporate procurement team has been strengthened, a strategy and procedures have been established and steps have been taken to make officers in the wider Council aware of the changes in procedures. Management acknowledge that there remain risks around culture and compliance and this will be tackled through on going work.</p> <p><u>Issues</u></p> <p>Central contract records indicate that some departments refer only a few of their contracts to the centre; thus the corporate procurement team has an incomplete oversight of procurement compliance.</p> <p>Further work to embed processes and practices across the Council and reinforce the importance of good procurement practice, including for example the formalisation of contract register procedures and defining formal responsibilities for procurement at directorate level.</p>	Amber

Risk to VFM conclusion	Lines of enquiry	Assessment	Adequate arrangements
Resilience of finance function	Review plans for strengthening the finance function	<p>The Council has enhanced the capacity and capability of the finance function; there has been improvement in its skills base and the professionalism of the internal resource (more CCAB qualified accountants) but it is mainly through temporary appointments and reliance on external support that the finance function has managed to operate effectively during the year and deliver the outcomes. This is considered acceptable as a transitional measure but not as a permanent solution.</p> <p>Temporary arrangements are set to continue over the remainder of the current financial year and management needs to ensure that the capability and capacity of the finance function is maintained during this period even if this means supplemented internal resources with external support until permanent as has happened hither too.</p> <p>The Finance function is now under the direction of an Interim Director of Finance and Property who has appointed two very senior, experienced finance professionals as Interim Assistant Director and Financial Controller. These fill the gap left by the Financial Controller who had been acting up as Head of Finance. An experienced CIPFA accountant has also been appointed on a permanent basis to Corporate Finance Partner role.</p> <p>The two senior interims are in place to ensure stability and to oversee the recruitment of permanent replacements, with the recruitment process to start in the autumn.</p> <p>Our conclusion is that management has taken appropriate action to secure and maintain the resilience of the finance function over the past year and it has firm plans to ensure that this is maintained over the coming year.</p>	Amber

Risk to VFM conclusion	Lines of enquiry	Assessment	Adequate arrangements
		<p>We draw attention to the temporary nature of these arrangements and support the action being taken by management to consolidate the finance resource as soon as possible to provide greater stability and continuity for the future.</p> <p><u>Issues</u></p> <p>Ensure the finance function forward plan is delivered as planned; key deliverables are met and permanent appointments to key posts are made within the specified timescales.</p>	
	<p>Conduct regular liaison with the finance team to identify and address issues that may compromise the effective closedown of accounts.</p>	<p>We have maintained a close dialogue with the finance team throughout the audit cycle. This has been helpful; it has maintained the profile of the audit during the closedown cycle and has helped ensure that audit requirements are understood.</p>	Green
	<p>Assess the Council's performance in completing interim closedown of accounts and conduct early substantive testing where possible</p>	<p>The resilience of the finance function in terms of the closedown of accounts was not tested by the month 9 closedown exercise.</p> <p>Although the Council did not produce accounts that could be audited, the exercise was helpful in that it provided the finance team with a clear closedown plan going forward. It also enabled management to assess whether the organisation had the capabilities and capacity to deliver the closedown programme and identify where external support was needed to supplement internal resources.</p> <p>We were able to complete a limited amount of early substantive testing and although this was less than planned it did help us to target risk areas earlier than would otherwise have been possible.</p>	Amber

Risk to VFM conclusion	Lines of enquiry	Assessment	Adequate arrangements
		<p><u>Issues</u></p> <p>Consider incorporating interim accounts closure into the 2012/13 closedown programme learning from the experiences of the 2011/12 financial year.</p>	
	<p>Assess year end performance and prospects for the future</p>	<p>The audit is substantially complete and overall, performance this year is a considerable improvement on the previous year.</p> <p>The Council published its accounts on time by the statutory deadline although comprehensive working papers were not provided at commencement of the audit as agreed.</p> <p>Notwithstanding this initial setback, co-operation from officers during the audit and responses to audit queries has been good.</p> <p>We are pleased to report that we substantively completed our audit by the end of July as planned although at the date of this report there are still a number of outstanding issues that need to be resolved before we are able to conclude our audit.</p> <p>Although an improved position to last year and we have assessed the direction of travel as positive there is still scope for improvement. A significant number of issues have been identified by the audit which will be reported in the Annual Governance report.</p> <p><u>Issues</u></p> <p>Issues will be reported in the Annual Governance Report.</p>	<p>Amber</p>

Risk to VFM conclusion	Lines of enquiry	Assessment	Adequate arrangements
Transactional services	Obtain assurances that transitional working arrangements incorporate sufficient safeguards and controls to mitigate all inherent risks; that the integrity of the 2010/11 data is preserved and that information flows to the financial statements are assured.	Transitional arrangements have provided assurances in respect of all identified audit risks. Subsequent events have confirmed outcomes have been as expected.	Green
Control environment	Evaluate the control environment in relation to key financial systems and assess the Council's progress in implementing 2010/11 Annual Governance Statement recommendations.	Reliance on Internal Audit's work, supplemented by our own audit testing provides adequate assurance that in relation to the Council's key financial systems, the control environment is sound and can be relied upon.  The Council has made reasonable progress in relation to the improvements recommended in the 2010/11 Annual Governance Statement. In particular the follow up work by Internal Audit has confirmed improvements in the areas of risk management and partnerships where we expressed reservations last year.	Green
<b>Financial resilience</b>			
Financial arrangements	Assess the Council's arrangements for managing its finances, including managing the impact of financial pressures on a rolling basis throughout the year and monitoring delivery of planned	The Council has adequate arrangements in place to identify and respond to financial pressures; both through the medium term financial planning process and also through in year review and budgetary monitoring procedures.  The key financial pressures in 2011/12 were identified initially in the 2011/12 Medium Term Financial Plan which also included an assessment of the impact and plans for addressing these.	Green

Risk to VFM conclusion	Lines of enquiry	Assessment	Adequate arrangements
	cost improvements	<p>The Council's budgetary procedures track performance through the year; residual risks and mitigating action are reported in regular performance reports to Overview and Scrutiny and Cabinet.</p> <p>Member level reporting for the first quarter of 2012/13 was delayed due to the need to realign cost centres following service re-organisation although during this period budget monitoring at officer level was undertaken as normal. A new revised timetable has been introduced for quarterly reporting to members with provision for the notification of major issues in between</p> <p>Member level budget reports were produced for the 1st quarter (end of June) and for month 4 (end of July).</p>	
	Assess the Council's medium term financial planning process	<p>The Council's medium term financial planning processes contain elements of notable practice. These were assessed as robust last year and they have been further enhanced in 2011/12. Examples of improved practices include:</p> <ul style="list-style-type: none"> <li>■ new approach to identify and implement savings at a corporate wide level across key themes rather than reducing all service budgets by an agreed percentage;</li> <li>■ use of qualitative and quantitative consultation methods to engage with stakeholders;</li> <li>■ budget monitoring and reporting hierarchy has been refined, commissioners (portfolio holders) maintain an overview of budget and service performance issues and challenges within their area of responsibility, and the Cabinet receives and reviews regular reports detailing overall service and budget performance and highlighting any particular challenges;</li> </ul>	Green

Risk to VFM conclusion	Lines of enquiry	Assessment	Adequate arrangements
		<ul style="list-style-type: none"> <li>■ directorate savings targets are cash limited to avoid the risk of overspending; and</li> <li>■ the budget monitoring process also informs future updates of the MTFS where changes in expenditure and / or income patterns impact on future years.</li> </ul>	
	<p>Assess whether at a service level; budget holders have the necessary financial skills they need to manage their budgets effectively</p>	<p>Financial management in service departments have improved this year. Corporate finance has confirmed improvements in budgetary control with service departments returning more realistic assessments and forecasts. Our review of the 2011/12 out-turn has not identified any major area of budget variance or uncontrolled costs that would imply inadequacies in arrangements. Financial acumen at service level needs to remain a priority, particularly given impending staff changes and as financial constraints begin to bite still further in 2012/13 and future years.</p>	Green
	<p>Is the Council's approach to strategic financial management consistent with good practice?</p>	<p>In terms of its financial processes the Council's arrangements are broadly consistent with the headline messages in 'Tough Times'.</p> <p>The Council has a medium term financial strategy and this has been updated to reflect recent developments.</p> <p>Savings plans are based on realistic assumption and are tailored to deliver the greatest demands early; the Council's track record is good and the inference is that future plans are sustainable.</p> <p>The Council's savings plans have been subject to rigorous appraisal both internally and from a number of external agencies.</p>	Green

Risk to VFM conclusion	Lines of enquiry	Assessment	Adequate arrangements
		<p>Reserve policies have been reviewed this year and significant movements in reserves have followed for the purpose of aligning resources with emerging priorities and risks.</p> <p>The Council makes (limited) use of the Commission's VFM profiles</p> <p><u>Issues</u></p> <p>Given the changes that are currently happening within corporate finance, management may wish to use 'Tough Times' as a reference source in any review it undertakes of its financial processes.</p>	
Financial performance	2011/12 performance Assess the Council's budgetary performance in 2011/12 and consider whether it achieved its results on the basis of original/revised assumptions	<p>The base budget assumed break even so the year end out turn of £3.545m was better than budgeted enabling the Council to increase its General Fund balance by £1.6m.</p> <p>The Council commenced the year with contingencies £4.233m. These were utilised during the year but they were released in a planned way and the overall financial position at the year end was favourable.</p> <p>There were no major surprises although the final out-turn position was better than expected;</p> <ul style="list-style-type: none"> <li>■ in Sept 2011 the forecast surplus was £0.032m;</li> <li>■ in February 2012 expectation was £2.7m; and</li> <li>■ the final out-turn was £3.545m.</li> </ul> <p>Favourable events; planned savings on service expenditure and adjustments to provisions (for example write back of EP provision totalling £3.7m) contributed to a better than budgeted position.</p> <p>The Council was also able to add to reserves during the year; earmarked reserves increased by £7.3m.</p>	Green



Risk to VFM conclusion	Lines of enquiry	Assessment	Adequate arrangements
	<p>2012/13 performance and prospects</p> <p>Assess the extent to which the Council's 2012/13 budget is robust and based on realistic assumptions; what is the prospects of achieving budgetary targets</p>	<p>In terms of 2012/13, financial pressures faced by the Council have been identified and reported in the Medium term financial strategy.</p> <p>These include:</p> <ul style="list-style-type: none"> <li>■ the impact of localism of council tax benefit;</li> <li>■ uncertainties over the level of specific grants, including the new homes bonus; and</li> <li>■ maximising income from fees and charges and a range of delivery risks.</li> </ul> <p>The Council has established appropriate arrangements to ensure that these risks are kept under review as the year progresses.</p> <p>One of the challenges for the interim Director of Finance is to review existing budget assumptions and this work is in hand.</p> <p>Internal Audit has also been instructed to carry out a review of budget setting procedures within service areas.</p> <p>This will impact mainly on 2013/14 budget setting but will provide confirmation that 2012/13 budget arrangements are operating as intended.</p>	Green
	<p>Medium term financial prospects</p> <p>What are the Council's prospects for medium term financial resilience?</p>	<p>The Council's prospects for medium term financial resilience are uncertain.</p> <p>There are still inherent risks and unconfirmed figures within the Council's budget plans, which could impact on the Council's delivery of its financial targets, if they move adversely.</p> <p>However, the Council has adequate arrangements in place to respond to identified budget risks.</p>	Green

Risk to VFM conclusion	Lines of enquiry	Assessment	Adequate arrangements
Financial and sector specific risks	Assess the adequacy of reserves and balances	<p>The Council actively considers its position on reserves. The Council's reserves policy was reviewed as part of the medium term financial strategy update and approved by Cabinet in February 2012. A more report was prepared by the S.151 officer and presented to the March meeting of Cabinet. Since then the position has been confirmed by the 2011/12 out-turn.</p> <ul style="list-style-type: none"> <li>■ The General Fund balance increased to £8m as at 31 March 2012 (representing an increase of £1.6m in the year). This remains marginally below the nearest neighbour average of £9.8m but displays a positive direction of travel.</li> <li>■ The Council's earmarked reserves totalled £29m at the year end excluding school balances. Including the HRA balance as part of earmarked reserves; the Council's overall position increases to £39m, (compared with the nearest neighbour average of £36m).</li> <li>■ The movement in earmarked reserves at the year end represents an increase of £7.3m.</li> </ul> <p>Increases in reserves and balances were made possible due to a combination of factors.</p> <ul style="list-style-type: none"> <li>■ Financial planning which involved the creation of new reserves and increased contributions to reserves as outlined in the MTFS.</li> <li>■ Release of provisions no longer required back to revenue.</li> <li>■ Under spending on service expenditure and other favourable outcomes.</li> </ul>	Amber

Risk to VFM conclusion	Lines of enquiry	Assessment	Adequate arrangements
		<p><u>Issues</u></p> <p>Following publication of the final out-turn reserves position, Members should receive an updated report on the Council's reserves and balances to show how the position has changed from that included in the report to Cabinet dated 12 March.</p>	
	<p>Assess the levels of balances held by schools and plans to utilise these</p>	<p>Although the balances held by schools have reduced in year (£10.3m at the year end compared to £11.8m in 2010/11) they remain high relative to other LEAs (see Audit Commission VFM profiles). The balance control mechanism (which sets the threshold for carried forward balances) is 5% above funding for secondary schools and 8% above funding for all other schools. 26 of the schools listed have balances over the balance control mechanism with surpluses over the threshold totalling £4.7m.</p> <p>Our review of the school forum minutes has confirmed that the Council is actively engaging with schools and taking steps to improve financial discipline. This is welcomed but it is very much work in progress.</p> <p>In our view, school balances have grown piece meal over a number of years and schools must be able to demonstrate that the utilisation of balances as currently planned represent value for money.</p> <p>Financial management generally in schools is an additional concern and potentially impacts on 'proper arrangements' under the Code.</p> <p>The issue is reported in the Council's Annual Governance Statement and Internal Audit is undertaking targeted review of arrangements at schools as part of the wider audit process.</p>	<p>Amber</p>

Risk to VFM conclusion	Lines of enquiry	Assessment	Adequate arrangements
		<p>The Council has concluded that the failures at St Joseph's Schools (as identified in the Annual Governance Statement) are isolated ones and not representative of widespread control failures across the school sector.</p> <p><u>Issue</u></p> <p>To the extent to which you are able you should continue to provide support and encouragement to school staff in the development financial skills and awareness.</p> <p>Obtain assurances from schools that school balances are kept at prudent levels and aligned to strategic plans.</p> <p>Further demonstrate, through the work of Internal Audit that sound financial management is in place and operating at all authority schools.</p>	
	<p>Demonstrate improvements in income recovery and debt management</p>	<p>Income collection and arrears recovery procedures have been strengthened in 2011/12. Patently irrecoverable debts written off and anticipated improvement in collectability of debt has greatly increased for 2011/12 due to new procedures and dedicated debt collecting officers.</p>	<p>Green</p>
	<p>Has the Council mitigated the risks inherent in the transition to a self funding model for the HRA</p>	<p>The Council engaged the support of a treasury management consultant to assist it with HRA self funding decisions as it was recognised by management that the necessary expertise was lacking internally.</p> <p>The use of external expertise was helpful and enabled the Council make an informed decision on the funding options available to it.</p> <p>The decision taken was to use £10m of general fund balances to fund the HRA payment with the balance coming from PWLB borrowing due to the reduced rates on offer.</p>	<p>Amber</p>

Risk to VFM conclusion	Lines of enquiry	Assessment	Adequate arrangements
		<p><u>Issues</u></p> <p>However, subsequent enquiries have shown that in relation to the internal funding, management has been unable to locate any notes/minutes of the Treasury Management Panel regarding borrowing or investment or any agreement regarding the terms or conditions of the internal loan.</p>	
	<p>Assess prioritisation of capital resources</p>	<p>There has, once again, been a large under-spend on the Council's 2011/12 capital programme due to a combination of slippage and deferrals of major projects.</p> <p>Whether this is due to problems with the management of the capital programme or deliberate policy decisions to delay expenditure is unclear.</p> <p>Some capital expenditure projects have been delayed pending a decision on the proposed LABV. The potential LABV provides the Council with the opportunity to re-evaluate investment options and arguably it is appropriate for the Council to hold back on uncommitted projects until the future of the LABV is confirmed and it can look afresh at the capital programme in the light of significant new investment opportunities.</p> <p>However, management has not been able to demonstrate that all of the £20.9m slippage of the £58.6m capital programme has been deliberate, pending a decision on the LABV. For example under spending on the HRA (£6.0m) was blamed on delays in the tendering programme.</p> <p>Our concerns are reinforced by the sharp movements in the Council's capital out-turn forecasts in the last six months of the year.</p>	<p>Amber</p>

Risk to VFM conclusion	Lines of enquiry	Assessment	Adequate arrangements
		<ul style="list-style-type: none"> <li>■ As at the end of October 2011, the management was forecasting a £5m underspend on the capital programme.</li> <li>■ As at the end of December 2011, the management was forecasting a £13m underspend on the capital programme.</li> <li>■ The report to the Cabinet in March 2012 reported a projected underspend of £14.4m based on the position end of February 2012.</li> <li>■ Updated figures prepared by officers in April 2012 showed that the forecast under spend had increased still further and the final outturn reported in June was £20.9m.</li> </ul> <p><u>Issues</u></p> <p>Review the capital programme in the light of the 2011/12 out-turn; changes in Council priorities and the decision on the LABV.</p> <p>Ensure that arrangements to manage the capital programme are fit for purpose.</p>	
	Is the Council managing the impact of changes in local taxation?	Management has assessed the impact of this. It has been factored into the medium term financial strategy based on modelling carried out by LG Futures.	Green
Audit Commission financial resilience indicators	Review financial resilience indicators - identify and discuss outliers.	<p>Variations appear to be largely due to the inherent nature of the organisation or we are aware that action is being taken.</p> <p>The low value of the Council's asset base stands out and may signal different approaches to valuation but more likely to be due to the characteristics of the organisation.</p> <p>Also noted some outliers including the high level of unallocated costs under democratic and other costs that have been shared with officers</p> <p>There are no outliers that would indicate a failure on the part of the Council to respond to VFM challenges.</p>	Green

Risk to VFM conclusion	Lines of enquiry	Assessment	Adequate arrangements
Prudential borrowing and funding vehicles - LABV	Obtain assurances that Council's plans are sound and it is managing its exposure to long term risk effectively	<p>Council has established proper procurement processes in relation to the proposed LABV.</p> <p>It should be noted that at the date of the assessment there was no LABV in existence and thus we have not sought to conclude on the management arrangements or the delivery mechanisms of the LABV itself.</p> <p>This will be subject to review after approval and the vehicle created.</p>	Green

**Challenging economy, efficiency; effectiveness**

Organisational stability	Assess the implementation of the senior management restructure	<p>Since our report last year the Council has produced and launched a senior management re-organisation; there have also been a large number of other consultations on specific service areas. The senior management restructure involves significant down sizing across service areas. Efficiencies have been made through the combining of posts. The new structures are being put into place but on a progressive basis; expectations currently are that the new senior management structure will be firmly established and operating effectively by the end of March 2013. The Council believes this is a realistic target given that some assimilation has taken place and further recruitment is in hand.</p> <p>The concern expressed in last year's AGR was about the risk of organisational de-stability during the transitional period. The Council appears to have mitigated this risk due in part to the sheer scale of bought in support across many of the otherwise very stretched key service areas (we have considered use of consultants and temporary staff as a separate line of enquiry).</p>	Amber
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Risk to VFM conclusion	Lines of enquiry	Assessment	Adequate arrangements
		<p>Departments are largely delivering front line services to an adequate quality and there has been no reported deterioration in service provision due to deterioration of capacity; skills or leadership.</p> <p>The Council has made good progress with the implementation of the new senior management structure. This needs to be completed and embedded to support the consolidation of structures within and across the wider organisation.</p> <p><u>Issue</u></p> <ul style="list-style-type: none"> <li>■ Continue to monitor the delivery of departmental and management structures to ensure these are completed on time and produce planned outcomes.</li> </ul>	
	<p>Is the Council acting responsibly in securing value for money from its appointment of consultants and temporary staff and is there evidence of sound cost control and transparency</p>	<p>Overall the audit shows the Council has devised a rigorous approval and monitoring system for the appointment of consultants and we do not have concerns that would impact on our VFM conclusion.</p> <p>There are weaknesses in arrangements for obtaining employee declaration of interests revealed by Internal Audit's work that need to be addressed and opportunities for improvement in the following areas: accounting for consultant costs; approval of contract extensions and knowledge capture.</p> <p>Separate report has been issued.</p> <p><u>Issue</u></p> <p>Implement recommendations in the detailed report.</p>	Amber
	<p>Review workforce plans</p>	<p>The Council has adopted a new workforce strategy; the key focus is on employability and the central theme is flexibility.</p> <p>It includes some examples of actions that need to be taken but is not yet underpinned by a detailed and formalised work programme.</p>	Amber



Risk to VFM conclusion	Lines of enquiry	Assessment	Adequate arrangements
		<p>Management information on HR indicators is good and adequately supports management decision making and the scrutiny of workforce issues.</p> <p>The scale of organisational change and the large number of leavers from the organisation is having the compensating effect on the number of temporary and agency staff. Recent report shows number of agency staff 226 compared with total vacancies 307; so reliance on agency staff is significant but not unexpected given the transition.</p> <p>The impact of the Council's change programme on staff morale is a highly relevant consideration and we are pleased to report it has not been overlooked by the Council.</p> <p>The Council has launched and is actively promoting a staff welfare/counselling service and has also commissioned a staff satisfaction survey. The survey is being run independently of the Council and the results will be published later this year. It will result in a management action plan which will need to be implemented; tracked and its outcomes assessed at some future date; say in a year's time.</p> <p>A further issue that could be viewed as a product of the organisational change programme is the increase in the level of recorded sickness absence across the Council. The total days lost due to sickness in the last quarter of 2011/12 was 4,350 at an estimated cost of £363,785.</p> <p>Annual sickness levels exceeded 8 days per FTE in all departments with the worst performance in Communities and Wellbeing (15 days ) and Customer and Transactional (12 days). Education and Children Services was also high at 11 days lost per FTE.</p>	

Risk to VFM conclusion	Lines of enquiry	Assessment	Adequate arrangements
		<p>This is recognised by the Council, and management aspires to reduce sickness absence to below 10 days. A number of initiatives are in hand but outcomes are still to be evidenced.</p> <p><u>Issues</u></p> <p>Prepare a formal management response to the staff satisfaction survey and assess outcomes at some future date; possibly in a year's time.</p> <p>Track the effectiveness of initiatives being launched to tackle high levels of sickness absence.</p>	
Demonstrating outcomes	Evidence to demonstrate VFM outcomes and service improvements	<p>The Council has adequate arrangements to monitor the achievement of efficiencies and reductions in unit costs and the impact on service quality and provision. The Council's Gold projects are tracked closely and performance is reported at different levels within the organisation, culminating in high levels performance reports to Cabinet and there are other matrixes produced that report outcomes and results in key service areas.</p>	Green
Transactional services	Obtain assurances that client management arrangements are in place and operating effectively	<p>We have assessed client side arrangements as adequate although we have not been able to conclude on the effectiveness of these arrangements in practice. Effectiveness will be tested by planned internal audit work over the forthcoming audit year. At this stage the arrangements as reviewed are adequate for the purposes of our VFM conclusion</p>	Green
Audit Commission VFM profile	Review AC VFM profile for the Council	<p>There are some outliers and these have been discussed with officers.</p> <p>We found that Slough had the highest total spend per head than the statistical neighbour group.</p> <p>The net spend on council tax collection, and the cost of housing and council tax benefit administration is significantly higher than their statistical neighbours.</p>	Green

Risk to VFM conclusion	Lines of enquiry	Assessment	Adequate arrangements
		<p>However, we have concluded that this could be due to inaccuracies with the data and other local factors; in particular inaccuracies in the census data for the Council and the impact of redundancy costs on service expenditure and unit costs.</p> <p>Officers are aware of the differences and no specific remedial action is proposed in response.</p>	

## Appendix 2 Action plan

### Recommendations

#### Recommendation 1

##### Procurement

- Management action to embed processes and practices throughout the Council and reinforce compliance with good procurement practice.
- Implement improvements in procurement arrangements as suggested in the detailed report.

Responsibility	Strategic Director, Communities and Wellbeing
Priority	High
Date	2012/13
Comments	Action plan agreed. See detailed audit report.

#### Recommendation 2

##### Resilience of the finance team

Ensure the finance function forward plan is delivered as planned; key deliverables are met and permanent appointments to key posts are made within the specified timescales.

Responsibility	Interim Director of Finance and Property
Priority	High
Date	31 March 2013
Comments	A full review and restructure of the finance function will take place in the autumn.

#### Recommendation 3

##### Closedown of accounts

Consider incorporating interim accounts closure into the 2012/13 closedown programme learning from the experiences of the previous year.

Responsibility	Interim Director of Finance and Property
Priority	High
Date	31 March 2013
Comments	Early consideration of the issues arising from the 2011/12 closedown will allow the new Financial Controller to develop a detailed timetable and action plan. John Burke will produce a list of issues to be considered based on the Annual Governance report. Timely monthly monitoring and reconciliations is key.

## Recommendations

### Recommendation 4

#### Financial arrangements

Given the changes that are currently happening within corporate finance, management may wish to use 'Tough Times' as a reference source in any review it undertakes of its financial processes.

Responsibility	Interim Director of Finance and Property
Priority	Low
Date	September 2012
Comments	Agreed

### Recommendation 5

#### Reserves and balances

Following publication of the final out-turn reserves position, Members should receive an updated report on the Council's reserves and balances to show how the position has changed from that included in the report to Cabinet dated 12 March.

Responsibility	Interim Director of Finance and Property
Priority	Medium
Date	September 2012
Comments	Additional underspends allowed transfers to reserves in line with the policy

### Recommendation 6

#### School finances

- Continue to provide support and encouragement to school staff in the development financial skills and awareness.
- Obtain assurances from schools that school balances are kept at prudent levels and aligned to strategic plans.
- Demonstrate, through the work of Internal Audit that sound financial management is in place and operating at all authority schools.

Responsibility	Interim Director of Finance and Property
Priority	High
Date	2012/13
Comments	This is something that will continue to be raised with schools, the SEF and Schools Forum. The schools funding reform figures will highlight this. Internal Audit continue to work with schools and have increased the number of audits and audit days in 2012/13 and 2013/14.

## Recommendations

### Recommendation 7

#### Capital programme

Review the capital programme in the light of the 2011/12 out-turn; changes in Council priorities and the decision on the LABV.

Ensure that arrangements to manage the capital programme are fit for purpose going forward.

Responsibility	Interim Director of Finance and Property
Priority	High
Date	2012/13
Comments	A review will happen as part of the budget process and a large underspend was expected in view of LABV process. Analysis and details of variances were provided to CMT and Members.

### Recommendation 8

#### Senior management restructure

Continue to monitor the delivery of departmental and management structures to ensure these are completed on time and produce planned outcomes.

Responsibility	Chief Executive
Priority	High
Date	2012/13
Comments	Currently being done as a requirement of good practice.

### Recommendation 9

#### Use of consultants and temporary staff

Secure improvements in arrangements as set out in the detailed report, including ensuring that arrangements for obtaining employee declaration of interests are working effectively.

Responsibility	Assistant Director of Professional Services
Priority	Medium
Date	2012/13
Comments	New processes in place.

## Recommendations

### Recommendation 10

Workforce planning

Prepare a formal management response to the staff satisfaction survey and plan to re-visit the survey at some future date; possibly in a year's time to ensure that outcomes are achieved;

Track the effectiveness of initiatives being launched to tackle high levels of sickness absence.

Responsibility	Assistant Director of Professional Services
Priority	High
Date	2012/13
Comments	In hand as part of major corporate project.

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