

Annual Governance Report

Slough Borough Council

Audit 2008/09

September 2009

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Ladies and Gentlemen

2008/09 Annual Governance Report

I am pleased to present the final version of my report on the results of my audit work for 2008/09.

A draft of the report was discussed with the Chief Executive and interim Strategic Director of Finance and Property on **[to be updated]** and has been updated since as issues have been resolved.

The report sets out the key issues that you should consider before I complete the audit.

It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 13);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- agree to adjust the errors in the financial statements I have identified, which management has declined to amend or set out the reasons for not amending the errors; (Appendix 3);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 6).

Yours faithfully

Phil Sharman
District Auditor
24 September 2009

Key messages

This report summarises the findings from the 2008/09 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

Financial Statements	Results	Page
Unqualified audit opinion proposed	Yes	7
Financial statements free from material error	Yes	
Material weaknesses in internal control	Yes	7
Use of resources	Results	Page
Adequate arrangements to secure value for money	Yes	12

Financial Statements

The financial statements present fairly the financial position of the Council and Group for the year and comply with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting.

I therefore propose to issue an unqualified opinion.

Use of resources

The Council's arrangements to manage its finances and govern its business which are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.

I therefore propose issuing an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Formal audit powers

I have not and do not propose to exercise any formal powers available to me as appointed auditor.

Key messages

Audit fees

In my original audit plan, the fee for the audit was based on my best estimate at the time and agreed at £334,530. I remain satisfied that the original estimate was appropriate and no adjustment is therefore required to the fee.

Audit Certificate

On completion of the steps below I propose to certify completion of the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

I ask the Audit Committee to:

- consider the matters raised in the report before approving the financial statements (pages 7 to 13);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- agree to adjust the errors in the financial statements I have identified which management has declined to amend or set out the reasons for not amending the errors (Appendix 3);
- take note of the VFM Conclusion and Use of Resources score;
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and,
- agree your response to the proposed action plan (Appendix 6).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements.

Opinion on the financial statements

- 1 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Errors in the financial statements

- 2 I identified errors in the financial statements (other than those of a trivial nature) and reported these to management. Management has agreed to amend the financial statements for errors identified as adjusted in Appendix 2. However, I am reporting these errors to you because of:
 - the weakness in financial control process that caused some of the errors; and,
 - the impact of the errors, both individually and in aggregate, on the figures you approved on 25 June 2009.
- 3 Management has not adjusted the financial statements for the errors identified as 'unadjusted' in Appendix 3. I would therefore ask you to consider whether to adjust these errors. If you decide not to do so, please tell me why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter (appendix 4).

Material weaknesses in internal control

- 4 I have identified weaknesses in the design or operation of an internal control that might result in a material error in your financial statements which has not been reported to you. These weaknesses may also be symptomatic of broader weaknesses in your control environment.
- 5 My findings are set out below in table 1

Table 1 **Material weaknesses in internal control**

Accounts entry/ Source	Issue	Potential impact
Income collected for charges and services	There are no clear controls ensuring that debtor	Income that is not actually due to the Council could be

Accounts entry/ Source	Issue	Potential impact
	accounts are only raised where income is actually due to the Council	included in your financial statements.
Entries in your accounts generated by feeder systems	A number of reconciliations were found to be incomplete, missing, or not completed in a timely manner. These included accounts receivable, council tax, bank and accounts payable.	Limited as final year reconciliations were undertaken. In year financial monitoring could be compromised however if financial information is incomplete.

Source: Pre-statements audit work conducted in 2008/09

Recommendation

R1 Hold officers to account for delivering improvements in the Council's internal control systems. Monitor the delivery of improvements in these areas as part of your ongoing governance reporting process.

Letter of representation

6 Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 4 contains the draft letter of representation I seek to obtain from you.

Key areas of judgement and audit risk

7 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 2.

Table 2 Key areas of judgement and audit risk

Issue or risk	Impact and audit findings
Controls over authorisation of journals can be improved	Without effective controls over journal authorisation, the Council may find it difficult to demonstrate how its control framework adequately underpins the preparation of its accounts. We confirmed that all journals tested had been authorised, but the audit trail behind this process was weak and difficult to follow. In our view, the Council is not using the inbuilt controls over journal authorisation within its General Ledger

Financial statements

Issue or risk	Impact and audit findings
	adequately.
Accounting for the economic downturn	<p>The economic downturn had a significant impact on some asset values, and this impacted on the amounts chargeable to your revenue reserves.</p> <p>We confirmed that your accounts comply with the statement of recommend practice in accounting for changes in asset values.</p>
Lease accounting	<p>Following our 07/08 audit, you reviewed your leases to identify and correct accounting entries for discounts and premia.</p> <p>We confirmed that appropriate adjustments had been made to your accounts</p>
Valuation of Icelandic investments	<p>Following the turbulence in the financial markets late in 2008, there is a risk that £2.5m of investments made by Slough in Icelandic banks will not be repaid. In accordance with the SoRP, there is a need to consider whether evidence of impairment exists for any such assets.</p> <p>We confirmed that your accounts comply with the statement of recommend practice in accounting for these assets.</p>
Asset accounting	<p>You have employed a consultant to support you in preparing your capital accounts and fixed assets disclosures for 2008/09.</p> <p>Other than the issues reported to you in appendices 2 and 3, your accounts complied in all material respects with the statement of recommended practice.</p> <p>For 2009/10 we are concerned about the ongoing level of expertise in this area given proposed changes to staffing in the finance division.</p>
2007/08 ongoing issues	<p>Two adjustments from our 2007/08 audit are still outstanding and have again been reported to you. These relate to:</p> <ul style="list-style-type: none"> • recognition of a £1.4m payment prior to obligations being discharged; and, • accelerated depreciation in respect of Wellington House. <p>The Council intends to resolve these issues during 2009/10.</p>

Accounting practice and financial reporting

- 8 I also consider the qualitative aspects of your financial reporting. There are no issues that I wish to bring to your attention.

Use of resources

I am required to consider how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement.

I am also required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 9** In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 10** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 11** The Council's use of resources theme scores are shown in Table 3 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in Appendix 5.

Table 3 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	2
Governing the business	2
Managing resources	2

- 12** Slough Borough Council's arrangements to manage its finances and govern its business are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.
- 13** Across the Council, good progress is being made to strengthen the way it plans and manages its operations, including;
- governing partnerships;
 - risk management;
 - data quality;
 - service and financial planning.

Use of resources

- 14 The Council needs now to embed these changes and demonstrate how these changes are leading to improved outcomes.
- 15 One area where arrangements are clearly delivering improved outcomes is asset management. Here, the Council's approach is forward looking, proactive and identifies and develops opportunities for improvement. Assets are managed with clear forward looking strategic goals showing how they will be used to deliver corporate priorities, now and in the future.
- 16 Whilst the Council is working to minimise its use of natural resources, more work is needed to ensure that this is effective. Improved target setting and processes to monitor progress is needed to enable more effective scrutiny and challenge of proposals to fully develop an effective policy framework and deliver outcomes.
- 17 I have issued a separate report to the Council setting out our recommendations to improve your arrangements for use of resources.
- 18 Members' should focus attention on the following key areas in developing your arrangements for managing the use of resources:
 - Ensuring existing arrangements are embedded and are effective, with no significant gaps;
 - Seeking clear evidence of outcomes linked specifically to these arrangements. This includes evidence of effective partnership working;
 - Ensuring the Council is not operating in silos and is being proactive when working in partnership to achieve improvements and deliver better VFM; and,
 - Demonstrating how the Council delivers improved outcomes to its electorate and other stakeholders.

Recommendation

R2 Focus developments in your arrangements in these key areas:

- Ensuring existing arrangements are embedded and are effective, with no significant gaps;
- Seeking clear evidence of outcomes linked specifically to these arrangements. This includes evidence of effective partnership working;
- Ensuring the Council is not operating in silos and is being proactive when working in partnership to achieve improvements and deliver better VFM; and,
- Demonstrating how the Council delivers improved outcomes to its electorate and other stakeholders.

Value for money conclusion

- 19 I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My scored

judgements on each of the specified criteria are set out in Appendix 5. The criteria for all of the specified KLOE were met.

- 20** I therefore intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. Appendix 1 contains the wording of my draft report.

Formal audit powers

21 I have:

- a power to issue a public interest report. I do so where we believe this is necessary to draw a matter to your attention, or to that of the public;
- a power to apply to court for a declaration that an item in the Council's accounts is contrary to law;
- a power to issue an advisory notice. An advisory notice requires the Council to meet and consider the notice before:
 - making a decision that might give rise to unlawful expenditure; or
 - taking an unlawful course of action that would give rise to a loss; or
 - making unlawful entry in the accounts; and,
- a power to seek judicial review of a decision of the Council.

22 I have not and do not propose to exercise these powers. I therefore intend to certify completion of the audit when issuing my report on the financial statements.

Appendix 1 – Independent auditor’s report to Members of Slough Borough Council

Opinion on the financial statements

I have audited the accounting statements and related notes of Slough Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Authority and group Income and Expenditure Accounts, the Authority Statement of Movement on the General Fund Balance, the Authority and group Balance Sheets, the Authority and group Statements of Total Recognised Gains and Losses, the Authority and group Cash Flow Statements, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Slough Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Strategic Director of Finance & Property and auditor

The Strategic Director of Finance & Property’s responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008

- the financial position of the Authority and its income and expenditure for the year; and,
- the financial position of the group and its income and expenditure for the year.

I review whether the Authority’s governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not

Appendix 1 – Independent auditor’s report to Members of Slough Borough Council

required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion;

- the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and,
- the group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper

Appendix 1 – Independent auditor’s report to Members of Slough Borough Council

stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Slough Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Phil Sharman CPFA CANZ

District Auditor
Audit Commission
Council Offices
Farnborough Road
Farnborough
GU14 7JU

September 2009

Appendix 2 – Adjusted amendments to the accounts

The following misstatements were identified during the course of my audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

Table 4

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000	Cr £000	Dr £000	Cr £000
Net assets	Voluntary aided schools removed from the Council's accounts	SMGFB 823	Education 823	Long term liabilities 4,194 CAA 31,269 Revaluation reserve 8,996	Fixed assets 44,459
Cash and bank	Entries originally shown net rather than gross	-	-	Cash in hand 8,405	Cash overdrawn 6,281
Leases note 21 09/10 obligation	Decimal point in wrong place, should be £659k	-	-	-	-
Loss on disposal	Incorrect accounting for loss on disposal of school assets	1,052	1,052		

Appendix 2 – Adjusted amendments to the accounts

		Income and Expenditure Account		Balance Sheet	
Pensions	Berkshire County Council pension costs not accounted for	522	522 SMGFB	-	-
	Restated balance @ 31/3/08 excludes Berkshire County Council element – adjustment to opening balances only	-	-	-	-
Group accounts	People 1st element of service costs charged twice in group accounts	-	321 (group only)	-	321 (group only)
Collection fund	Write offs not disclosed separately	137	137		
HRA	Items in suspect not posted at year end	HRA 92		HRA 92	
HRA note 7	Depreciation omitted from note.	-	-	-	-
HRA note 10	Correction of error. Balance recorded as 1,559, should be 1,649	-	-	-	-

Appendix 3 – Unadjusted misstatements in the accounts

The following misstatements were identified during the course of my audit and the financial statements have not been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities. If you decide not to do so, please tell us why in the representation letter. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

Table 5

Description of error	Accounts effected	Value of error £000
Ongoing issue: Income recognised in 02/03 in advance of criteria for recognition in accounts being met.	Revenue balances should be adjusted downwards by £806,000 being the proportion of income not due for recognised yet.	806
Expenditure on previously leased asset not depreciated to match termination of lease	Asset balance for Wellington house should be written out as accelerated depreciation.	2,500
Adjustments to revaluation reserve balance <ul style="list-style-type: none"> • Correction relating to St Martins Place • Asset not recorded on Oracle 	Corrections increased the Council's fixed asset values and the value of the Council's revaluation reserve	177
NNDR discretionary relief awarded needed to be recognised for 07/08 and 08/09	To be determined	TBC

Appendix 4 – Draft letter of representation

To:

Mr P Sharman
District Auditor
Audit Commission
Council Offices
Farnborough Road
Farnborough
GU14 7JU

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Slough Borough Council - Audit for the year ended 31 March 2009

I confirm to the best of my knowledge and belief, having made appropriate enquiries of Members, officers and officials of Slough Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2009. All representations cover the Council's accounts and group accounts included within the financial statements.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which presents fairly the financial position and financial performance of the Council and for making accurate representations to you.

Uncorrected misstatements

I confirm that I believe that the effects of the uncorrected financial statements misstatements listed in the attached schedule are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Council and the reasons for not correcting these items are as follows.

- Reason 1 etc.
- Reason 2.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Appendix 4 – Draft letter of representation

Going Concern

I am satisfied that it is appropriate to adopt the going concern basis in the preparation of the financial statements and that the financial statements include, such disclosures, if any, relating to going concern.

I will only require this section in the Management representation letter if you are aware of any events or conditions that may cast significant doubt on the Council's (or subsidiary's) ability to continue as a going concern.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or,
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- Law, regulations, contractual arrangements and codes of practice
- There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements.

For [xyz] assumption, I confirm:

- *the appropriateness of the measurement method and compatibility with management's intent and ability to carry out specific courses of action where relevant;*

- *the completeness and appropriateness under the financial reporting framework; and,*
- *if subsequent events [require/do not require] adjustment to the fair value measurement.*

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale and purchase commitments;
- agreements and options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in the financial statements we have no other lines of credit arrangements.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular, other than those already disclosed in the financial statements;

- there is no significant pending or threatened litigation;
- there are no material commitments or contractual issues; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Post balance sheet events

Between the date of approval of the financial statements by the Council and the authorised for issue date [*please insert date on which the Council deems the accounts to be authorised for issue*], no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Specific representations:

- The Council currently has the ability and intention to hold the assets disclosed as long term investments on its balance sheet on a long-term basis.

Appendix 4 – Draft letter of representation

- There have been no material changes to key assumptions affecting the levels of risk transfer between the Council and private sector partner in respect of the private financial initiative scheme as assessed under FRS5.

Signed on behalf of Slough Borough Council

I confirm that the this letter has been discussed and agreed by the Council on [date]

Signed

Name

Position

Date

Appendix 5 – Use of resources key findings and conclusions

The following tables summarise the key finding and conclusions for each of the three use of resources themes.

Theme 1 Managing finances

Theme score	2
KLOE 1.1 (financial planning)	
Score	2
VFM criterion met	Yes
KLOE 1.2 (understanding costs and achieving efficiencies)	
Score	2
VFM criterion met	Yes
KLOE 1.3 (financial reporting)	
Score	2
VFM criterion met	Yes
<p>Slough Borough Council's arrangements to manage its finances are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.</p> <p>The Council's financial planning processes are developing from a sound base and within a medium term financial planning framework. The time-horizon of this process can be expanded to help better demonstrate the affordability of</p>	

Appendix 5 – Use of resources key findings and conclusions

longer term strategic objectives and the impact of invest to save projects or savings proposals.

Resource allocation within the Council is driven by corporate priorities and service plans alongside available resources. Financial and performance outcomes are becoming more integrated and there is good challenge of costs involving both Members and officers. Service level benchmarking and use of unit costs is developing. The Council delivers significant annual efficiency savings and has exceeded its Gershon efficiency target by several million pounds.

Engagement with communities and Members during the budget process is strong and stakeholder views are taken into account through a series of workshops with a range of different groups.

A balanced financial outturn in 2008/09 was achieved but there is significant pressure on future budgets with reserves at minimum assessed prudent levels and emerging concerns that agreed savings are not deliverable. Stronger, more detailed savings plans, moving away from an annual planning cycle are needed to bridge an estimated a budget gap of £22m over the next three years.

Internal financial reporting processes are timely and reliable more but work is needed to fully meet the needs of internal users by providing bespoke and tailored reporting options.

External financial reporting processes are developing strongly and the Council prepares accounts that meet statutory requirements, financial reporting standards and presents fairly its financial performance and position. This will be further enhanced in 2008/09 when the Council publishes its first annual report.

Theme 2 Governing the business

Theme score	2
KLOE 2.1 (commissioning and procurement) Score	2

Appendix 5 – Use of resources key findings and conclusions

VFM criterion met	Yes
KLOE 2.2 (data quality and use of information)	
Score	2
VFM criterion met	Yes
KLOE 2.3 (good governance)	
Score	2
VFM criterion met	Yes
KLOE 2.4 (risk management and internal control)	
Score	2
VFM criterion met	Yes
<p>Slough Borough Council's arrangements for governing the business are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.</p> <p>Executive, non-executive and roles and responsibilities within this structure are clear and supported by productive working relationships between Members and officers. Development training is offered to Members but the take-up of this has sometimes been low, leading the Council to recently act on this.</p> <p>The Council has a sound system of internal control including an Audit Committee, Internal Audit and a policy and guidance framework but it is not clear how compliance with this framework is monitored and more can be done to promote it. Within this framework the Council's risk management arrangements are developing and are reported to CMT, Cabinet and the Audit Committee. These arrangements still need to become more embedded however.</p> <p>The Audit Committee is balanced in membership and has an independent chair. The Annual Governance statement focuses action by the Council over governance matters. The Council's Standards Committee complies with the expectations of the Standards Board but needs to do more to actively promote and monitor standards within the Council.</p> <p>Procurement actions are shaped by corporate priorities and intended outcomes, but progress has been hampered until recently by a lack of capacity. Some progress in this area has, however, been made.</p>	

Appendix 5 – Use of resources key findings and conclusions

A data quality strategy and protocol were agreed in March 2009, too recently to assess any impact. It is clear however that information is used by the Council to review underperformance and take action and services have improved as a result of this data use.

No corporate business continuity plan exists but arrangements for life and limb services have been developed and are in place.

Appropriate anti-fraud and corruption policies are in place, but it is not clear how the Council intends to, or can, monitor the delivery of these. At July 2009, I noted that very few NFI data matches had been recorded as investigated by the Council, although I understand that progress is now being made.

Theme 3 Managing resources

Theme score	2
KLOE 3.1 (use of natural resources)	
Score	2
VFM criterion met	Yes
KLOE 3.2 (strategic asset management)	
Score	3
VFM criterion met	Yes
<p>Slough Borough Council's arrangements for managing its resources are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.</p> <p>For asset management, the Council's arrangements go beyond this baseline. The Council's approach is forward looking, proactive and identifies and develops opportunities for improvement. Assets are managed with clear forward looking strategic goals showing how they will be used to deliver corporate priorities, now and in the future.</p>	

Appendix 5 – Use of resources key findings and conclusions

The Council is implementing an award winning accommodation strategy supported by a new property management system. This system updates Performance Indicators which feeds the property review process. Priority is given to capital projects based on a formal, objective approval process targeting investments to priority areas. The Heart of Slough project aims to deliver significant infrastructure improvements and potential economic benefits to the area with capital investment of over £400m secured. In education 8 schools have been rebuilt or replaced since 2005. The ALMO has levered in significant capital investment into improving public housing.

Balanced against this, the Council's arrangements to make effective use of natural resources are developing but are still at an early stage overall. The Council understands the main influences behind its use of natural resources and is committed to reducing its impact on the environment. Progress prior to 2008/09 was slow but has accelerated over the last 12 months. Baseline information on the consumption of natural resources, including water and energy usage, has recently been finalised.

Easy wins are being sought including the management of waste and recycling schemes in Council buildings and promoting staff car travel reduction. Despite this, a more co-ordinated approach is needed to reduce the internal demand for natural resources, including targets and system to monitor progress against them.

A carbon management board has been established to ensure that carbon reduction targets are met and there are strong links through this board to external partners. A climate change strategy is currently under development.

Appendix 6 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Governance Report 2008/09 - Recommendations						
8	Hold officers to account for delivering improvements in the Council’s internal control systems. Monitor the delivery of improvements in these areas as part of your ongoing governance reporting process.	3				
12	<p>Focus developments in your arrangements in these key areas:</p> <ul style="list-style-type: none"> • Ensuring existing arrangements are embedded and are effective, with no significant gaps; • Seeking clear evidence of outcomes linked specifically to these arrangements. This includes evidence of effective partnership working; • Ensuring the Council is not operating in silos and is being proactive when 	3				

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	working in partnership to achieve improvements and deliver better VFM; and, <ul style="list-style-type: none"> • Demonstrating how the Council delivers improved outcomes to its electorate and other stakeholders. 					

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