

Annual Audit Letter

Bracknell Forest Council

Audit 2008/09

December 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.
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Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Audit Opinion and Financial Statements

- 1 I gave an unqualified opinion on the Council's accounts on 30 September 2009.
 - 2 The Council's accounts met statutory requirements, financial reporting standards and presented fairly its financial performance and position.
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Value for money and Use of Resources

- 3 I issued an unqualified value for money conclusion stating that in all significant respects, Bracknell Forest Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.
 - 4 In my Use of Resources assessment, I concluded that the Council scored 2 out of a maximum of 4. This means that I have no significant concerns over the arrangements put in place by the Council and that those arrangements meet established professional practice and guidance and are operating effectively.
 - 5 I have highlighted strengths in the Council's arrangements for achieving savings and its use of natural resources. I have identified areas that I believe have scope for further improvement in managing your use of resources. These include:
 - developing further the medium term financial planning process;
 - improving data quality in the information used for decision making and managing performance;
 - tracking progress in developing governance arrangements for partnerships and introducing arrangements for monitoring their financial performance; and
 - considering the long term implications of maintenance backlog against other spending priorities.
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Economic downturn and pressures on the public sector

- 6 The economic downturn and banking crisis is having a very significant impact on public finances and the bodies that manage them.
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- 7 The impact on treasury management strategies in the public sector has been immediate. The Council had £5m invested in Icelandic banks and to date has recovered £331,000. The Council has reviewed its Treasury Management arrangements in response to the wider economic climate and in my view appropriately strengthened these during the year.
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Audit fee

In our original audit plan, the estimated fee for the 2008/09 audit was £262,800. This excludes the CAA inspection fee and charges for certifying grants claims.

In undertaking our audit we have had cause to undertake additional work on:

- assessing the Council's progress in addressing weaknesses in its procurement arrangements; and
- the audit of the Council's accounts due to the changeover in Chief Accountant and the need to improve some working papers.

We have been able to contain these matters within other reductions agreed with the Treasurer. The final fee for the 2008/09 statutory audit is therefore £255,200.

Actions

- 8 I have identified areas for improvement in this audit letter and, where appropriate, recommendations are included in the reports provided during the course of my audit. The Authority should ensure through its follow-up procedures that recommendations made in these audit reports are implemented in accordance with agreed timetables.
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Independence

- 9 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.

I have issued an unqualified opinion on the financial statements.

Significant issues arising from the audit

- 10** The most significant issue from the audit is that I was able to give an unqualified opinion, a 'clean' opinion, on the Council's financial statements on 30 September 2009.
- 11** During my planning process I raised a number of risks that I would need to review during my audit, including the change in Chief Accountant, how you accounted for investments in Icelandic banks, the impairment of fixed assets due to the economic downturn, accounting for the PFI and the closure of the Housing Revenue account.
- 12** This was a challenging year for the Council with the departure of the Chief Accountant. The Council responded by making an interim appointment to ensure statutory deadlines for publishing the Statement of Accounts could be met. Now that a permanent appointment is in place the Council needs to ensure that the closedown process is fully reviewed to inform plans for 2009/10.
- 13** Many authorities look to comply with capital accounting requirements by using dedicated fixed assets systems as part of general ledger systems. The Council however maintains spreadsheets to support fixed assets entries. These spreadsheets are updated only at the year end with capital expenditure incurred and therefore do not provide a reconciling control to the general ledger during the year. They were not straightforward to follow through and do not contain all the information required by the Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice (the SoRP). This issue will become more pressing with the introduction of IFRS (International Financial Reporting Standards).
- 14** The key issues raised for the Council's attention, and which were subsequently amended in your accounts, included the town centre development, some pension disclosures, capital receipts and internal income and expenditure.
- 15** Given the significance of these adjustments, you re-approved your financial statements on 29 September 2009.

Accounting practice and financial reporting

- 16** I considered the qualitative aspects of your financial reporting. There were several disclosure amendments to the accounts. Many of these issues arose due to the changeover in key personnel.
- 17** The finance team are planning for future developments including readiness for the implementation of International Financial Reporting Standards (IFRS). As part of this a baseline assessment of work needed has been obtained, however there remains much to achieve to ensure the Council has the necessary information to compile accounts in line with the requirements for IFRS, particularly for fixed assets and leases.

Material weaknesses in internal control

- 18** I did not identify any significant weaknesses in your internal control arrangements.

Value for money and use of resources

I also assessed 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 and was reported as unqualified.

I considered how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement. My conclusion is that the Council's arrangements to govern its business and manage its finances and resources are consistent with established professional practice and guidance, meet statutory requirements and operate efficiently.

VFM Conclusion

- 19 I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. For 2008/09 the Audit Commission specified the use of resources KLOE for the Council as set out in Appendix 1 as the relevant criteria for the VFM conclusion at the Council.
- 20 I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 21 In 2007/08 I qualified my value for money conclusion due to weaknesses the Council identified in its procurement arrangements. I am satisfied the Council has made sufficient progress to be able to lift the qualification for 2008/09.

Use of resources judgements

- 22 The new use of resources assessment framework is more demanding than the previous assessment. It is broader in scope and embraces wider resource issues such as the use of natural resources. It also places more emphasis on considering outcomes for local people. It is particularly important to recognise that the KLOE are more strategic and focus much more explicitly than previously on value for money achievements than on processes.
- 23 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.
- 24 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 would cause the VFM conclusion to be qualified as this represents a failure to meet the minimum requirements at level 2.

25 The Council's use of resources theme scores are shown in Table 1.

Table 1 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	2
Governing the business	2
Managing resources	3

26 Bracknell Forest 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.

27 The Council performed well in 2008/09 in managing its use of natural resources. A climate change action plan is in place and a baseline has been measured. The Council has well established systems to monitor and reduce energy use which have resulted in tangible reductions in energy and water usage.

28 The Council performed adequately in the year in managing finances and governing its business, with a number of improvements being introduced for the future. The position in the 2008/09 year was that:

- the Council was continuing to maintain its focus on value for money and achieving savings;
- procurement processes were being strengthened to address previously identified weaknesses;
- risk management arrangements have been developed;
- the Council was in early stages of strengthening arrangements for ensuring data quality; and
- governance arrangements were being strengthened with the formation of the Governance and Audit Committee.

Recommendation

- R1** The Council should look at the potential areas for improvement in managing use of resources and develop an action plan that takes these forward linked to its key priorities. The recommended areas include:
- developing further the medium term financial planning process;
 - improving data quality;
 - tracking progress in developing governance arrangements for partnerships and introducing arrangements for monitoring their financial performance; and
 - considering the long term implications of maintenance backlog against other spending priorities.

Managing finances

- 29** Bracknell Forest Council's arrangements to manage its finances are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.
- 30** The Council has consistently managed spending within its budgets over the last 11 years. In 2008/09 the Council underspent its budget by £1.9m, drawing £0.2m from reserves. For some time the Council has been working towards a 'soft landing', gradually reducing reliance on income from reserves and increasing council tax to arrive at a balanced budget. The reduction in investments and income from investments resulting from interest rate reductions (current estimated annual reduction of £2.5m), and the impact of the recession on income from car parking and leisure facilities is likely to delay the achievement of a budget not requiring use of reserves beyond original timescales.
- 31** Capital and revenue expenditure is linked to Council priorities. The budget is linked to the Medium Term Objectives. Budget setting continues to be primarily based on an incremental approach. Three year budget forecasts are in place. In 2009/10 the Council has developed its medium term financial planning by publishing a Medium Term Financial Strategy in September 2009.
- 32** Budget setting processes emphasise consultation with all councillors and the final budget, including savings targets, are finalised by the Executive supported by officers.
- 33** Value for money is generally good with good quality services and a focus on achieving savings. Service performance is good and costs are low allowing for external factors. Council Tax continues to be among the lowest of any mainland unitary authority and services perform well with 42 per cent of performance indicators in the best quartile. The Council has achieved over £7 million of Gershon efficiency gains since 2004/05 – in excess of its £5.5 million target – and included a further £2.7 million of expenditure reductions in its 2008/09 budget.

- 34 The Council has taken steps to understand costs and where efficiencies can be made. Links are made in the service efficiency strategy to the service plans. There remains further scope to improve the Council's understanding of its costs by wider and systematic use of comparative information, unit costing and more consistent use of whole life costing.
- 35 Internal financial reporting is achieved through monthly and quarterly reporting cycles which provide comprehensive information. The necessary knowledge and understanding to manage spending is concentrated in relatively few people and the Council plans to review its training for officers in this area.
- 36 The Council prepares accounts that meet statutory requirements, financial reporting standards and presents fairly its financial performance and position. The closedown and audit of the 2008/09 accounts was complicated by a change in Chief Accountant in 2009 and several non trivial adjustments were agreed. The Council plans to publish its Annual Report later this year.

Governing the business

- 37 Bracknell Forest Council's arrangements for governing the business are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.
- 38 The Council is performing well. Its vision and priorities are clearly articulated in 6 overarching priorities and 13 Medium Term Objectives. The Council delivers good services that represent value for money. Decision making processes are sound.
- 39 There is some joint commissioning and work to explore new opportunities. Consultation is ongoing throughout the year with steering groups. The Council actively promotes inclusivity through 'champions' and a focus on social cohesion.
- 40 Officers and members have a constructive relationship. The recent organisational restructuring has achieved efficiency savings and promotes a stronger corporate approach. The LSVT completed in 2008 has the potential to deliver significant improvements to social housing in the borough.
- 41 Some procurement practices have been poor in the past but, with investment to address weaknesses, are now improving and offer potential for better coordination in the future. The creation of a contracts register will strengthen corporate oversight.
- 42 The Council regularly reports financial and performance information. The corporate approach to data quality is in the early stages of being strengthened to promote a more consistent approach across directorates. Results from our spot checks show, however, that further progress is needed.
- 43 Overall there are no significant concerns around internal control systems and the recently created Governance and Audit Committee should strengthen this area further. Risk management processes are being strengthened. The Standards Committee is primarily reactive and could play a greater role in supporting councillors and officers by promoting training and monitoring compliance with and awareness of Codes of Conducts and protocols.

Value for money and use of resources

- 44 The Council works effectively with partners and is reviewing governance arrangements for partnerships. It has yet to put in place arrangements for reviewing financial performance of significant partnerships.

Managing resources

- 45 Bracknell Forest Council's arrangements for managing its resources are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.
- 46 Arrangements for managing natural resources go beyond this baseline. A climate change action plan is in place and a baseline has been measured. The Council has well established systems to monitor and reduce energy use which have resulted in tangible reductions in energy and water usage. Existing energy efficiency measures are being added to in order to deliver further improvement. The Council has a recent initiative to include environmental impact as a criterion for evaluating 'Invest to Save' projects. In signing the Nottingham Declaration the Council has reinforced its commitment in this area.
- 47 The Council's arrangements for managing its assets are adequate. Assets are seen as a corporate resource, and receipts are pooled for the benefit of the council as a whole. Although backlog maintenance is high, and does not appear to be falling, this is consistent with the asset management strategy which targets priority one maintenance obligations only. The Council's housing stock was transferred to a new RSL Bracknell Forest Homes in 2008 in significant part to facilitate investment in improvement of housing stock condition. Assessments have been carried out on some council properties to assess their suitability for their current function. The council works with its partners and they are invited to attend the Council's asset management group.

Health inequalities

- 48 Local government bodies are required to work together with health bodies for the benefit of tax payers and patients. By working in partnership it is expected that public bodies will be better able to develop integrated services and improve the health and well being of local people.
- 49 To support my use of resources assessment I undertook a review of how effectively partners in East Berkshire are working together to address issues of health inequalities. This review was a joint project across the following organisations:
- Bracknell Forest Borough Council;
 - Slough Borough Council;
 - Royal Borough of Windsor and Maidenhead Council; and
 - Berkshire East Primary Care Trust.

- 50** My review found collaboration where health inequalities priorities are shared, such as the healthy hearts initiative and smoking cessation programmes. However, there is significant scope across these bodies for improving the delivery of outcomes by:
- clearly identifying how each partner will contribute to process outcomes;
 - ensuring performance management information to monitor agreed service delivery is routinely shared;
 - evaluating the costs and benefits of closer working, such as the identification of a specific public health group to lead on common objectives across East Berkshire;
 - clarifying the governance and accountability structures for the roles of partners; and
 - using partnership working to identify innovative ways to support increased public health capacity.
- 51** The Council should work with the Primary Care Trust through the forum of the Joint Strategic Commissioning Board to address those matters raised in the report to help reduce health inequalities in the Borough.

Recommendation

- R2** Work with partners to ensure action is taken to address the recommendations outlined in the health inequalities review.

Managing health and social care in partnership

- 52** With changing demographics, and in particular the growing number of older people living longer, there is a greater demand for support and care. This demand is increasing the pressure on the health and social care budgets of Local Government and NHS bodies.
- 53** To support my use of resources assessment I undertook a review of how effectively partners in East Berkshire are working together to manage adult social care and continuing healthcare costs.
- 54** This review was a joint project across the following organisations:
- Bracknell Forest Borough Council;
 - Slough Borough Council;
 - Royal Borough of Windsor and Maidenhead Council; and
 - Berkshire East Primary Care Trust.

Value for money and use of resources

55 This review found that:

- existing frameworks are effective at monitoring expenditure;
- continuing care criteria are effective in managing expenditure; and
- each organisation has invested time and resources in developing services which are equitable and meet the needs of their local communities.

56 To further improve outcomes partner organisations need to take action to:

- ensure that health and social care partnerships have agreed objectives, clear outcome targets and robust performance management arrangements;
- review the effectiveness of the management of delayed transfers of care and implement an action plan to address the issues identified; and,
- assess the potential benefits of closer working, such as further integration to manage intermediate care teams, establishing a joint framework for sharing good practice, or the joint training of care staff.

57 The Council should work with the Primary Care Trust through the forum of the Joint Strategic Commissioning Board to address those matters raised in the report to better manage health and social care in partnership.

Recommendation

R3 Work with partners to ensure action is taken to address the recommendations made in the health and social care partnership review.

Economic downturn and pressures on the public sector

58 The economic downturn and banking crisis have been having a significant impact on public finances and the bodies that manage them. The impact in some areas has been immediate but there are wider and longer term impacts on the ability of public sector bodies to fund service delivery and capital programmes, including pressure on income streams.

59 The impact on treasury management strategies in the public sector has been immediate. The Council had £5m invested in Icelandic banks and has provided for an impairment of £877,000 although recovery of £331,000 has already been secured. The Council has reviewed its Treasury Management arrangements in response to the wider economic climate and in my view appropriately strengthened these during the year.

Closing remarks

- 60** I have discussed and agreed this letter with the Chief Executive and the Borough Treasurer. I will present this letter at the Governance and Audit Committee on 18 January 2010 and will provide copies to all Councillors.
- 61** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Table 2 Audit reports issued

Report	Date issued
Audit and Inspection Plan	May 2008
Audit Plan refresh 2008/09	February 2009
Health Inequalities (phase 2)	June 2009
Managing Health and Social Care in partnership	August 2009
Annual Governance Report	September 2009
Use of Resources 2008/09	November 2009
Data Quality 2008/09	November 2009
Final Accounts Memorandum	December 2009

Recommendation

- R4** The Authority should ensure through its follow-up procedures that recommendations made in audit reports issued through the year have been implemented in accordance with agreed timetable.

- 62** The Council has taken a positive and constructive approach to our audit. I wish to thank the Council's officers for their support and co-operation during the audit.

Phil Sharman
 District Auditor
 December 2009

Appendix 1 – Use of resources criteria and scores

Use of resources theme	VFM criterion met?	UoR score
Managing Finances		2
KLOE 1.1 - Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	Yes	2
KLOE 1.2 - Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	Yes	3
KLOE 1.3 - Is the organisations financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	Yes	2
Governing the Business		2
KLOE 2.1 - Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	Yes	2
KLOE 2.2 - Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	Yes	2
KLOE 2.3 - Does the organisation promote and demonstrate the principles and values of good governance?	Yes	2
KLOE 2.4 - Does the organisation manage its risks and maintain a sound system of internal control?	Yes	2
Managing Resources		3
KLOE 3.1 - Is the organisation making effective use of natural resources?	Yes	3
KLOE 3.2 - Does the organisation manage assets effectively to help deliver its strategic priorities and service needs?	Yes	2
KLOE 3.3 - Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?	Not applicable in year	Not scored in year

The Audit Commission

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Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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