



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

MONDAY 13TH DECEMBER 2010, AT 6.00 P.M.

**THE CONFERENCE ROOM, THE COUNCIL HOUSE, BURCOT LANE,
BROMSGROVE**

SUPPLEMENTARY DOCUMENTATION

The attached papers are additional items to be added to the Agenda previously distributed relating to the above mentioned meeting.

10. Audit Commission Annual Audit Letter 2009/2010 (Pages 1 - 26)
11. Audit Commission - Value For Money Conclusion 2009/2010 (Pages 27 - 48)

K. DICKS
Chief Executive

The Council House
Burcot Lane
BROMSGROVE
Worcestershire
B60 1AA

6th December 2010

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

13th December 2010

AUDIT COMMISSION ANNUAL AUDIT LETTER 2009/10

Relevant Portfolio Holder	Councillor Geoff Denaro Cabinet Member for Finance
Relevant Head of Service	Jayne Pickering, Executive Director Finance and Corporate Resources
Key Decision / Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 To enable Members to consider the Audit Commission Annual Audit Letter for 2009/10 and to note the action to the recommendations.

2. RECOMMENDATIONS

- 2.1 **That Members note the recommendations included in the Annual Audit Letter 2009/10**

3. BACKGROUND

- 3.1 The Annual Audit Letter as attached at Appendix 1 summarises findings from the 2009/10 Audit. This considers 2 elements:
- Audit of financial statements
 - Assessment of Value for Money arrangements.
- 3.2 A number of conclusions have been made by the Commission in relation to these elements. These include:
- that the Council has fully embraced and implemented joint working arrangements with other Councils
 - that the financial accounts were well prepared and included the entries necessary to amend the Spatial accounting issue raised as part of the formal audit
 - the council has demonstrated that it understands its costs
 - there were no significant weaknesses in internal control.
- 3.3 There were 3 recommendations made by the Commission in the Audit Letter. Officers have considered these and have agreed that actions will be undertaken to address the issues raised. The recommendations were:
- To implement all Annual Governance recommendations within the agreed timescale
 - To implement the Shared Service report recommendations

AUDIT BOARD

13th December 2010

- To consider the liability arrangements to ensure services are delivered in compliant way in both Councils

4. KEY ISSUES

- 4.1 Officers will continue to work with the Audit Commission to ensure the Councils accounts and financial management arrangements will deliver compliant and informative accounts and policies in the future.

5. FINANCIAL IMPLICATIONS

- 5.1 None other than those covered in this report.

6. LEGAL IMPLICATIONS

- 6.1 The Accounts and Audit Regulations 2003 require that the Council complies with statutory accounting legislation and changes.

7. POLICY IMPLICATIONS

- 7.1 None as a result of this report

8. COUNCIL OBJECTIVES

- 8.1 Compliance with the accounting standards supports the improvement objective across the Council.

9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS

- 9.1 The Financial Services risk register includes the preparation of the accounts and the controls in place to ensure the accounts are treated in compliance with accounting standards.

10. CUSTOMER IMPLICATIONS

- 10.1 None as a direct result of this report.

11. EQUALITIES AND DIVERSITY IMPLICATIONS

- 11.1 None as a direct result of this report.

12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT

- 12.1 None as a direct result of this report.

AUDIT BOARD

13th December 2010

13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY

13.1 None as a direct result of this report.

14. HUMAN RESOURCES IMPLICATIONS

14.1 None as a direct result of this report

15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS

15.1 The statement of accounts and the controls in place to ensure the accounts are accurate is key to the effective governance arrangements in place within the Council.

16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998

16.1 None as a direct result of this report.

17. HEALTH INEQUALITIES IMPLICATIONS

17.1 None as a direct result of this report.

18. LESSONS LEARNT

18.1 Officers continue to seek advice from best practice authorities and the Audit Commission recommendations to ensure the accounts are presented in compliant format for consideration.

19. COMMUNITY AND STAKEHOLDER ENGAGEMENT

19.1 None as a direct result of this report.

20. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	N/A
Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Cultural, Environmental and Community Services	N/A
Executive Director – Planning & Regeneration,	N/A

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

13th December 2010

Regulatory and Housing Services	
Director of Policy, Performance and Partnerships	N/A
Head of Service	N/A
Head of Resources	N/A
Head of Legal, Equalities & Democratic Services	N/A
Corporate Procurement Team	N/A

21. WARDS AFFECTED

All wards

22. APPENDICES

Appendix 1 – Annual Audit Letter 2009/10

23. BACKGROUND PAPERS

Detailed final accounts working papers.

AUTHOR OF REPORT

Jayne Pickering, Executive Director Finance and Resources
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Annual Audit Letter

Bromsgrove District Council

Audit 2009/10

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

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.

Contents

Key messages	2
Overview	2
Audit opinion and financial statements	3
Value for money	3
Current and future challenges	3
Financial statements and annual governance statement	5
Overall conclusion from the audit	5
Significant weaknesses in internal control	5
Accounting practice and financial reporting	5
Whole of Government Accounts	6
National Fraud Initiative	6
Certification of grant claims and returns	6
Preparations for IFRS 2010/11 financial statements	7
Value for money	8
2009/10 use of resources assessments	8
VFM conclusion	8
Risk-based performance reviews	10
Approach to local value for money work from 2010/11	12
Future challenges	13
Single management team	13
Host authority for Regulatory Services across the county	13
Future developments	13
Closing remarks	14
Appendix 1 Audit fees	15
Appendix 2 Glossary	16
Appendix 3 Action Plan	18

Key messages

This report summarises my findings from the 2009/10 audit. My audit comprises two elements:

- **the audit of your financial statements (pages 5 to 7); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 8 to 12).**

I have included only significant recommendations in this report. The Council has accepted these recommendations.

Overview

1 The Council's release from the formal engagement process with central Government reflects its commitment over a number of years to improve its performance.

2 Over the last year the Council has moved forward rapidly through the appointment of a Shared Chief Executive and a single senior management team with Redditch Borough Council. There are only three other established shared management arrangements in local government in the country. These new arrangements are forecast to save over £1.3 million over the three years from 2010/11 and are a significant opportunity for better local services. They also present a significant risk for both councils in ensuring robust and legal governance arrangements are maintained

3 Shared Services have been fully embraced by the Council through working with all district councils and the county council in Worcestershire. The Council has become the host authority of regulatory services for all these councils from June 2010. To ensure that these services continue to be provided in line with the Council's priorities these arrangements will require close monitoring.

4 I found that the Council has made progress in all aspects of its arrangements to achieve value for money that I reviewed to support my value for money conclusion.

Audit opinion and financial statements

5 I completed my audit and issued an unqualified opinion on the 30 September 2010 the statutory target date.

6 The Financial statements were well prepared and included all the entries necessary to amend the accounting treatment of the Spatial project which was the reason for my opinion being qualified last year. I did not identify any significant errors during my audit.

Value for money

7 In addition to issuing an opinion on the financial statements, I am required to issue a Value for Money (VFM) Conclusion. I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in place.

8 The Council has built on its last year's performance. It has demonstrated that it understands its costs of regulatory services. Further it has provided a business case to the satisfaction of all councils within the county to be appointed as host authority.

9 Last year I qualified your VFM conclusion because of the accounting treatment of the Spatial project. The necessary entries have now been to correct this and I have been able to conclude that all criteria for the VFM conclusion have been met.

Current and future challenges

10 There are challenging times ahead. Unprecedented Government funding cuts will mean that councils and other public services will need to work both harder and smarter. The council has already been proactive in recognising the need for change through a restructuring of roles and responsibilities at a senior level in the council.

11 Maintaining financial resilience in the light of these pressures will be vital. The robustness of financial management and strategy will be essential to the council in delivering services and achieving its priorities. I will continue to work closely with the council during this period.

12 The level of income from planning and land charges will be directly affected by the economic downturn. Levels of interest that can be achieved on the balances held under Treasury Management arrangements will be affected.

13 The three year programme of jointly providing services with Redditch Borough Council is a challenging target in itself. Following the Government's announcements of the spending review in October 2010 the councils have been looking at this programme with a view to bringing the review of some services forward. Such a revision would assist the Council to remain within its financial resources.

14 As host authority for county wide regulatory services the Council will need to ensure that appropriate arrangements are in place to separately account for the costs and income incurred by the Worcestershire Shared Services Joint Committee.

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 gave an unqualified opinion on the Council's 2009/10 financial statements on 30 September 2010 the statutory target date.

Overall conclusion from the audit

15 The overall conclusion from my audit of the Council's 2009/10 financial statements is that they present a true and fair view of the Council's position. The issues which were addressed as part of this audit are included in my Annual Governance Report. This report was presented to the Audit Board who considered it before adopting the revised financial statements and before I issued my opinion.

16 The Council approved its financial statements on 30 June 2010, the statutory target date.

Significant weaknesses in internal control

17 I did not identify any significant weaknesses in your internal control arrangements.

18 However as last year I identified a weakness in the accounting system of general ledger (journals) which affected the efficiency of the audit. Additional audit work was undertaken on these journals to be satisfied that no material error had occurred. The Executive Director of Resources has put in place procedures to address this weakness for the next financial year.

Accounting practice and financial reporting

19 The Financial statements were well prepared and included all the entries necessary to amend the accounting treatment of the Spatial project which was the reason for my opinion being qualified last year. I did not identify any significant errors during my audit.

20 I reviewed the arrangements for the approval of the Council's financial statements and concluded that the requirements of the Accounts and Audit Regulations 2003 (as amended in March 2009) were met overall. However the process was fragmented. The accounts which were approved by Council were accompanied by an errata sheet and were subsequently corrected for these items and in response to a member question.

21 Recommendations on the areas for improvement are included in my Annual Governance Report which was presented to the Audit Board on the 27 September 2010.

Recommendation

R1 Ensure that my agreed Annual Governance report recommendations are implemented by the agreed deadlines.

Whole of Government Accounts

22 In accordance with the Code of Audit Practice I reviewed your Whole of Government Accounts (WGA) submission for 2009-10. I gave an unqualified opinion on the submission on the 30 September 2010 in advance of the statutory reporting deadline of the 1 October 2010.

National Fraud Initiative

23 The Audit Commission runs the National Fraud Initiative exercise which matches electronic data within and between audited bodies to prevent and detect fraud.

24 As at 14 October 2010 the estimated savings identified from the most recent data matching initiative reported by the Council is over £191,000. This demonstrates that the newly established Corporate Fraud section has effective arrangements to follow up reported matches.

Certification of grant claims and returns

25 I am in the process of finalising my audit of grant claims relating to the 2009/10 financial year. Claims were submitted for audit by the Council within the agreed deadlines. I have completed the audit of the Disabled Facilities Grant which required no amendments. I was able to issue an unqualified certificate in line with the required timetable.

26 The Council collect monies from business rate payers on behalf of central government and pay these monies/receive monies over to/from central government. Each year the Council is required to prepare a grant claim to confirm the correct amount of business rate monies collected and then paid over to central government. I am required to review this claim. My review identified that a full audit trail from the computer system for business rates to support the values included within the claim had not been retained. Officers agreed to make amendments to the claim and I was able to issue an unqualified certificate on this return in line with the required timetable.

27 The only other claim upon which the audit has yet to be completed is that for Housing Benefit & Council Tax Benefit. At this stage of the audit, I do not anticipate any significant issue arising on this claim and I am intending to complete this work in line with the required timetable.

Preparations for IFRS 2010/11 financial statements

28 On behalf of the Audit Commission I reviewed your preparations to meet the new requirements for Local Government financial statements to be in accordance with IFRS for the 2010/11 financial year. This took place on two occasions, in November 2009 (the baseline assessment) and in July 2010. The Audit Commission collated the information and produced a report identifying the national picture and this report is available on the website at <http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/financialmanagement/ifrs/Pages/20101005ifrsprogresstransition.aspx>.

29 I found that a project team has been established and a risk assessment prepared. Members of the finance team have engaged us with the project and the audit team will continue to work alongside the team to ensure a successful transition. I found that although the Council was behind its original project plan, arrangements have been put in place for the position to be corrected and have been able to conclude that the Council is on track to meet this challenge.

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money.

I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

2009/10 use of resources assessments

30 At the end of May 2010, the Commission wrote to all chief executives to inform them that following the government's announcement, work on Comprehensive Area Assessment (CAA) would cease with immediate effect and the Commission would no longer issue scores for its use of resources assessments.

31 However, I am still required by the Code of Audit Practice to issue a value for money conclusion. I have therefore used the results of the work completed on the use of resources assessment up to the end of May 2010 to inform my 2009/10 conclusion.

32 I report the significant findings from the work I have carried out to support the vfm conclusion.

VFM conclusion

33 I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each type of audited body.

34 A summary of my findings is shown in the following table.

Table 1: VFM conclusion

Criteria	Adequate arrangements?
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial Reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Risk management and internal control	Yes
Managing resources	
Natural Resources	Yes
Workforce	Yes

35 I issued an unqualified conclusion stating that the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources.

36 The Council has improved its performance from last year in the following areas:

- It has demonstrated that it understands its costs well. The Council has provided a business case to the satisfaction of councils within the county to be appointed as host authority for Regulatory Services.
- It has amended the accounting treatment of the Spatial project and I have been able to conclude that the criterion for financial reporting has been met.
- Its procurement strategy links through to the Sustainable Community strategy and the corporate plan. It has identified opportunities to work with district partners in a number of areas to jointly commission and procure goods and services.

37 I also considered the value for money and impact from the Council's investment in the Spatial Project. Over the last couple of years the Council has invested significant sums in the Spatial Project.

38 The Spatial Project was a transformational project originally part of the Local Authority Modernisation Programme (LAMP). The history of the Council, which was in voluntary engagement throughout the duration of this project, meant that the Council had to embark on a transforming programme using IT as the means to improve whilst recognising the need for a reliable, stable IT platform and associated systems. Improved outcomes for customers and services as a result of the project have mostly been delivered, and continue to develop and embed. However, the anticipated savings were not fully realised due to a number of reasons mostly due to the recession. The level of current annual savings is close to the level of the original estimated savings.

39 The project has enabled much wider partnership working together with potential for more far reaching value for money. It has enabled the Council to successfully bid for the Regulatory Services as part of the Worcestershire enhanced two tier programme and given the Council resilience and capacity to embark on the shared services with Redditch Borough Council.

40 Lessons have been learnt in terms of project management and this is demonstrated in the more robust management and communications around shared services.

41 A separate report of the detailed findings from my work on the VFM conclusion has been prepared and presented to the Audit Board.

Risk-based performance reviews

42 To support my review of the criteria I undertook the following studies:

- Shared Services Review.
- Waste Management Review.

Shared Services

43 I carried out a high level diagnostic audit of joint working with Redditch Borough Council in order to discharge my duties under the Code of Practice. I found that overall governance arrangements are sound. The risks of these arrangements are regularly evaluated and mitigating actions are put in place where necessary. Members have considered the need for an exit strategy from the arrangement and approved a formal Overarching Shared Services Framework. This is a high level document and will need more detail as shared services develop. The agreement contains a framework for dealing with conflicts of interest and for dispute resolution which are both important.

44 As this is not only a new arrangement for both councils but also relatively new nationally I recommended that The framework agreement requires employee liability insurance to be in place which is essential to cover this risk given that the arrangements proposed for staffing shared services are that each Council remains responsible for its own employees.

45 External legal advice had been sought where and when needed and the Council had learnt from the experiences of other councils who had implemented similar arrangements. The governance arrangements are straightforward and I found worked well. At the time of the review the performance management arrangements were at an early stage and found that these needed to be developed further to provide the Council with sufficient information to monitor the success of the arrangements.

46 The detailed findings of the Shared Services review were presented to the Council in June 2010.

Recommendations

R2 Ensure that my agreed Shared Services Review report recommendations are implemented by the agreed deadlines.

R3 Ensure that consideration is given to how to establish where the liability, if any, would rest should an error occur or service fail to deliver.

Waste Management

47 In the plans for all Audit Commission clients in Worcestershire I included time for review of county wide waste management. Much of this work focussed on the development of arrangements for waste disposal under the PFI contract. My findings have been discussed with officers of the County Council and Herefordshire Council and will be included in their annual audit letters.

48 Throughout Worcestershire there are a variety of different waste collection and recycling methods and frequency. We concluded at an early stage that these differences were not causing a problem for the disposal arrangements. Our work with the districts therefore focussed on partnership working on the joint municipal waste strategy (JMWMS).

49 Partnership working between the county and district councils is improving. Both member and officer forums are in place but these are not constituted and have no decision making powers. The district councils were engaged in leading and reviewing the JMWMS although the revised strategy is yet to be approved by all the districts. There is a strong feeling within the district councils, including Wyre Forest that they need to know more about how payments within the PFI contract are arranged so they can better understand how to minimise costs. The County Council and districts are now talking about these issues and there is an understanding by the County Council that there has to be a rational way of incentivising the districts to continue to increase recycling and work within the remit of the JMWMS. The districts also feel it would be best to have a more open partnership, for example with open discussion around what form collection and disposal should take in order to aid better understanding and to collectively resolve issues. All partners have worked together to reduce the tonnage of waste collected, increase the amount of recyclable waste, and reduce the amounts going to landfill.

Approach to local value for money work from 2010/11

50 Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review has included discussions with key stakeholders of possible options for a new approach to local value for money (VFM) audit work. The Commission aims to introduce a new, more targeted and better value approach to our local VFM audit work.

51 My work will be based on a reduced number reporting criteria, specified by the Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

52 I will determine a local programme of VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer be required to provide an annual scored judgement relating to my local VFM audit work. Instead I will report the results of all my local VFM audit work and the key messages for the Council in my annual report to those charged with governance and in my annual audit letter.

Future challenges

Single management team

53 The appointment of a single management team with neighbouring district councils is becoming more widely used as bodies review their costs and structures. There are only three other established and four other recent shared management arrangements of councils in England.

54 The Chief Executive and the majority of the single management team responsible for both Bromsgrove District Council and Redditch Borough Council were in place from April 2010. The Council will need to monitor these new arrangements to ensure that they deliver as planned.

Host authority for Regulatory Services across the county

55 This is the first time that the Council has been the host organisation for services provided across the county. A Worcestershire Shared Services Joint Committee has been set up to govern these services which is subject to its own statutory financial reporting and auditing requirements as a separate entity from the Council.

Future developments

56 The Council was able to generate General Fund reserves to a level of £1.2 million at 31 March 2010 from the accounting for the capitalisation directive received from central government for the Spatial project together with other specific reserves including £444,000 for Shared services.

57 The Medium Term financial plan for the three year period 2010 to 2013 approved in January 2010 provided for a minimum level of General Fund reserves at 31 March 2011 of £1.6 million. The most recent finance and performance report to members in November 2010 noted that savings were lower than anticipated. The financial pressures in the current year 2010/11 are significant and are being closely managed by the Council.

58 As a result of the October 2010 Comprehensive Spending Review, it is now clear that local government is facing significant cuts in its financing from central government. The review has stated that local government will face average annual cuts of 7.1 per cent over the review period. Therefore, there is going to be a need for effective financial management and planning if the Council is to maintain a sound financial position.

59 These provide a significant challenge for local government as they seek to continue to provide services to local residents, whilst maintaining a sound financial position. I will continue to monitor the Council's response and actions in this key area.

Closing remarks

60 I have discussed and agreed this letter with the Chief Executive and the Executive Director (Finance & Corporate Resources). I will present this letter at the Audit Board on 13 December 2010 and will provide copies to all Council members.

61 Full detailed findings, conclusions and recommendations in the areas covered by our audit were included in the reports I issued to the Council during the year.

Report	Date issued
Opinion Audit plan	March 2010
Shared Services Review	February 2010
Annual Governance Report	September 2010
Whole of Government Accounts opinion	October 2010

62 The Council has taken a positive and helpful approach to my audit. I wish to thank the Bromsgrove District Council staff for their support and cooperation during the audit.

63 Following the Government's announcement of the abolition of the Audit Commission, I would like to re-assure Council members that we will deliver the Council's 2010/11 and 2011/12 audits. The Audit Commission is writing to all the organisations we audit to explain that current audit arrangements will continue up to and including 2011/12 audits.

Elizabeth Cave
District Auditor
November 2010

Appendix 1 Audit fees

	Proposed	Actual	Variance
Financial statements and annual governance statement (including Whole of Government accounts)	65590	70070	4480
Value for money	34340	34340	0
Total audit fees	99930	104410	4480
Non-audit work	0	0	0
Total	99930	104410	4480

The proposed fee level was set prior to the conclusion of the audit of the 2008/09 financial statements. Additional fee was required for time spent in agreeing the adjustments made to the financial statements in order to correct the entries for the Spatial Project which was the subject of my qualification of the 2008/09 financial statements.

Appendix 2 Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
- whether they have been prepared properly, following the relevant accounting rules; and
- for local probation boards and trusts, on the regularity of their spending and income.

Financial statements

The annual accounts and accompanying notes.

Qualified

The auditor has some reservations or concerns.

Unqualified

The auditor does not have any reservations.

Value for money conclusion (VFM)

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.

Whole of Government Accounts (WGA)

Whole of Government Accounts (WGA) are commercial-style accounts covering all the public sector and include some 1,700 separate bodies. HM Treasury coordinates WGA who decides the form and content of the accounts and chooses the bodies to be included in the accounts for any financial year.

Appendix 3 Action Plan

Recommendations

Recommendation 1

Ensure that my agreed Annual Governance report recommendations are implemented by the agreed deadlines.

Responsibility	Executive Director (Finance & Corporate Resources)
Priority	High
Date	31 March 2011
Comments	The issues will be addressed as part of the final accounts and budget process.

Recommendation 2

Ensure that my agreed Shared Services Review report recommendations are implemented by the agreed deadlines.

Responsibility	Executive Director (Finance & Corporate) Resources
Priority	High
Date	31 March 2011
Comments	The recommendations will be addressed as reported to Members.

Recommendation 3

Ensure that consideration is given to how to establish where the liability, if any, would rest should an error occur or service fail to deliver.

Responsibility	Chief Executive
Priority	High
Date	31 March 2011
Comments	The issue will be picked up with legal and insurance officers to ensure liability is covered.

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



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November 2010

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

13th December 2010

AUDIT COMMISSION VALUE FOR MONEY CONCLUSION 2009/10

Relevant Portfolio Holder	Councillor Geoff Denaro Cabinet Member for Finance
Relevant Head of Service	Jayne Pickering, Executive Director Finance and Corporate Resources
Key Decision / Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 To enable Members to consider the Audit Commission Value for Money Conclusion for 2009/10.

2. RECOMMENDATIONS

- 2.1 That Members note the value for Money Conclusion report for 2009/10.

3. BACKGROUND

- 3.1 The Value for Money conclusion formed part of the Use of Resources judgement for 2009/10. The Audit Commission are still required to give a Value for Money conclusion to the Council in respect of 2009/10 despite the Use of Resources judgement ceasing with immediate effect.

4. KEY ISSUES

- 4.1 The key messages on each of the nine Key Lines of Enquiry applicable to District Councils were considered by the Audit Commission. The details of the findings are included in the Appendix.
- 4.2 It was recognised that the Council has improved its arrangements in several areas compared with the previous year.
- 4.3 Specific areas improved included:
- Planning for financial health – demonstrated by the levels of joint and shared arrangements in place
 - Understanding costs and achieving efficiencies
 - Joint procurement of goods and services
 - Data and governance arrangements when working with partners
- 4.4 The improvements will put the Council in a good position moving forward in realising efficiencies for the future funding limitations.

AUDIT BOARD

13th December 2010

5. FINANCIAL IMPLICATIONS

5.1 None other than those covered in this report.

6. LEGAL IMPLICATIONS

6.1 The Accounts and Audit Regulations 2003 require that the Council complies with statutory accounting legislation and changes.

7. POLICY IMPLICATIONS

7.1 None as a result of this report.

8. COUNCIL OBJECTIVES

8.1 Compliance with the accounting standards supports the improvement objective across the Council.

9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS

9.1 The Financial Services risk register includes the preparation of the accounts and the controls in place to ensure the accounts are treated in compliance with accounting standards.

10. CUSTOMER IMPLICATIONS

10.1 None as a direct result of this report.

11. EQUALITIES AND DIVERSITY IMPLICATIONS

11.1 None as a direct result of this report.

12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT

12.1 None as a direct result of this report.

13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY

13.1 None as a direct result of this report.

14. HUMAN RESOURCES IMPLICATIONS

14.1 None as a direct result of this report

AUDIT BOARD

13th December 2010

15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS

15.1 The statement of accounts and the controls in place to ensure the accounts are accurate is key to the effective governance arrangements in place within the Council.

16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998

16.1 None as a direct result of this report.

17. HEALTH INEQUALITIES IMPLICATIONS

17.1 None as a direct result of this report.

18. LESSONS LEARNT

18.1 Officers continue to seek advice from best practice authorities and the Audit Commission recommendations to ensure the accounts are presented in compliant format for consideration.

19. COMMUNITY AND STAKEHOLDER ENGAGEMENT

19.1 None as a direct result of this report.

20. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	N/A
Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Cultural, Environmental and Community Services	N/A
Executive Director – Planning & Regeneration, Regulatory and Housing Services	N/A
Director of Policy, Performance and Partnerships	N/A
Head of Service	N/A
Head of Resources	N/A

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

13th December 2010

Head of Legal, Equalities & Democratic Services	N/A
Corporate Procurement Team	N/A

21. WARDS AFFECTED

All wards

22. APPENDICES

Appendix 1 – Value for Money Conclusion 2009/10

23. BACKGROUND PAPERS

Detailed final accounts working papers.

AUTHOR OF REPORT

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Value for Money **Conclusion**

Bromsgrove District Council

Audit 2009/10

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

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.

Contents

Introduction	2
Summary.....	3
Key messages	3
Detailed findings	5
Appendix 1 Value for Money Conclusion - Key Findings and conclusions .	6

Introduction

1 I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice which is approved by Parliament requires the auditor to report each year on the conclusions as to whether the Council has adequate arrangements in place. This is known as "The Value for Money Conclusion".

2 In order to form that conclusion the auditor was required to consider nine specific areas known as Key Lines of Enquiry (KLOEs) as set out in the Code of Audit Practice under a process known as the Use of Resources assessment.

3 Work on the Use of Resources assessment had been substantially completed by the end of May 2010 and informal feedback provided to officers. Following the announcement from the new government the Audit Commission announced that work on the Use of Resources element and all work on Comprehensive Area Assessment (CAA) would cease with immediate effect.

4 However I was still required to give a Value for Money conclusion to the Council in respect of the 2009/10 financial year and gave an unqualified conclusion on the 30 September 2010 in line with the statutory deadline.

Summary

Key messages

5 The key messages on each of the nine KLOEs applicable to district councils are set out below and further details are contained in Appendix 1. The Council has improved its arrangements in several areas compared with the previous year.

6 I was able to issue an unqualified Value for Money conclusion for 2009/10 to the Council in line with the statutory deadline. This means that the Council had at least adequate arrangements in place in each of the nine criteria.

Planning for Financial Health - KLOE 1.1

7 The Council improved in most areas for this criterion. A joint management team has been appointed with neighbouring Redditch Borough Council. These arrangements are estimated to save £1.2million over 5 years over both councils from 2010/11 onwards.

8 In order to address the qualification of my Opinion on its 2008/09 accounts the Council applied for a capitalisation direction from the Government department to cover all or part of the £4.5million expenditure on the spatial project. Whilst the process of obtaining this direction was slower than anticipated it was managed by the deadline and without external consultancy support.

9 Reports to members integrate financial and performance planning. For example the review of the operations of the Dolphin Leisure Centre has identified savings of £150K in year. These savings are recurring and in addition further savings of £140K are planned to be achieved from the transfer of the Dolphin Leisure Centre to Wychavon Leisure Trust from April 2010.

Understanding costs and achieving efficiencies - KLOE 1.2

10 The Council has improved from last year and performs well in this area. Its knowledge of costs has significantly improved enabling it to better understand whether it is delivering VFM. This understanding has enabled joint working to progress with Redditch Borough Council, as well as with other districts and the county council on various services. The outcome is that Bromsgrove has been hosting the shared county wide regulatory services from June 2010. Detailed plans are in place for the delivery of the planned efficiencies.

11 Over the last couple of years the Council has invested significant sums in the Spatial Project. This was a transformational project originally part of the Local Authority Modernisation Programme (LAMP). The history of the Council, which was in voluntary engagement throughout the duration of this project, meant that the Council had to embark on a transforming IT programme as the means to improve recognising the need for a reliable, stable IT platform and associated systems. Improved outcomes for customers and services as a result of the project have mostly been delivered, and continue to develop and embed. However, the anticipated savings were not fully realised due to a number of reasons mostly due to the recession. The level of current annual savings is close to the level of the original estimated savings.

12 The project has enabled much wider partnership working together with potential for more far reaching value for money. It has enabled the Council to successfully bid for the Regulatory Services as part of the Worcestershire enhanced two tier programme. Further it has given the Council resilience and capacity to embark on the shared services with Redditch Borough Council.

13 Lessons have been learnt in terms of project management and this is demonstrated in the more robust management and communications around shared services.

Financial Reporting - KLOE 1.3

14 The council has amended the accounting treatment of the Spatial project and the accounts submitted for audit contained no significant errors. This is a great improvement from last year and the criterion for financial reporting has been clearly met.

15 The Council considers quarterly integrated performance and finance reports highlighting key financial performance issues and risks. This reporting enables remedial action to be undertaken promptly.

Commissioning and Procurement - KLOE 2.1

16 The Council's procurement strategy links through to the Sustainable Community strategy and the corporate plan. Opportunities have been identified to work with district partners in a number of areas to jointly commission and procure goods and services.

Use of Information - KLOE 2.2

17 The production of good quality data and governance arrangements for data sharing with partners have improved. Standards and practices are in place to make sure that systems are secure. Performance management is robust with targets set and reported on.

Good Governance - KLOE 2.3

18 The Council has a clear vision of what it wants to achieve based on a sound understanding of local need. Relationships between officers and members are generally open and focussed. Problems are openly played out in the press which may reduce public confidence in the democratic process. The Council works hard to improve its understanding of community needs and to work with communities.

19 There is good training on ethical standards which has been recognised by the Standards Board for England.

Risk Management and Internal Control - KLOE 2.4

20 The Council has a risk management process in place to identify risks and take appropriate actions to address these. To improve its internal control arrangements a corporate fraud team has been established in the year.

Use of Natural Resources - KLOE 3.1

21 This is a new criterion for 2009/10. The Council is in the early stages of developing and implementing its procedures and practices in its use of natural resources. It has established a baseline for the main areas of natural resource use.

Strategic asset management - KLOE 3.2

22 This criterion is not applicable for District Councils.

Workforce Planning - KLOE 3.3

23 The Council is Investors in People accredited and operates a Modern Managers Framework setting out the standards required of managers. Organisational change is effectively managed through visible and open leadership. Arrangements have been made to prepare and implement a workforce plan and the council's position is not considered different to that of other district councils. The Council has achieved Level 3 of the Equality Standard and Job Evaluation was implemented in May 2009.

Detailed findings

24 The key findings and conclusions for each KLOE are summarised in Appendix 1.

Appendix 1 Value for Money Conclusion - Key Findings and conclusions

25 The following tables summarise the key findings and conclusion for each of the Value for Money criterion.

KLOE 1.1 (Financial Planning)

VFM criterion met	Yes
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There is integrated financial planning. The linkages and process of setting the Council Plan, the Medium Term Financial Plan and annual budget have improved. The Council plan is set and aligned to national and district wide priorities. A thread runs through all the plans the council sets and these then in turn feed into both corporate and directorate improvement plans, then into team plans and individual's targets which are monitored and reviewed in their performance appraisals.

Performance management processes are in place to monitor the progress being made for all improvement areas and reported to members on a regular basis. The financial plan is reviewed an annual basis by members to ensure the plan is still relevant to the current priorities. The Council has a Treasury Management strategy which is reviewed annually and the Council did not lose money in the current banking crisis.

Reports to members integrate financial and performance planning. Resources have been aligned enabling recurring savings of £150K in year from the review of the operations of the Dolphin Leisure Centre and in addition further savings of £140K are planned to be achieved from the transfer of the Dolphin Leisure Centre to Wychavon Leisure Trust from April 2010.

The 2008/09 accounts were qualified due to the accounting treatment of expenditure as capital for the Spatial project of £4.5million. The Council in the year was able to confirm £2.2million as capital with a capitalisation direction obtained for £2.3million. Although this work was started late the Council was confident that the direction would be obtained. Therefore there were no plans for the extremely difficult financial position that would have ensued if its application for a capitalisation direction was not approved.

VFM criterion met**Yes**

The budget is approved in January each year following consideration of a report identifying high pressures, unavoidable pressures, savings and capital bids. This report gives comprehensive information and modelling of balances, cash flows.

The Council continues to undertake extensive consultation on its budget with the public and its own staff via budget forums, consultation groups and the staff champions group. There is an online facility to comment on the proposed budget which is reported to members as part of the budget setting process.

The Council is improving how it manages its spending. significant level of savings of £4.2million have been identified over the 3 year period 2010-12 and is taking action to address these. It is early days to determine whether the items identified are short term fixes. There is both individual and collective responsibility for financial management. A formal Scheme of Delegation and Financial Instructions are in place. Training on financial issues is provided to staff and members. The Council has approved and implemented a joint management team with Redditch Borough Council (RBC).

KLOE 1.2 (Understanding costs and achieving efficiencies)**VFM criterion met****Yes**

The Council is working to optimise partnership working. For example to improve services through the shared service arrangement with RBC and with the County Council. These arrangements are to deliver savings in the region of £1.2million over 5 years from 2010 for both authorities. I have prepared a separate review of the Shared service arrangements with RBC which has been reported to Council. This concluded that there has been robust discussion and evaluation of the costs and savings. Members have had good access to financial information to inform the decisions they make. Cost information to support decision making is of reasonable quality and where appropriate it is supported by other relevant information, for example performance, satisfaction, demographics, diversity.

The Council has invested over the last couple of years significant sums in the Spatial Project. The selection of supplier for the Spatial project was based on clear criteria and there were only a few suppliers available. Following negotiation with the provider the price was reduced.

The cost of the project as set out in the detailed business case were a payment of £4.8million including an upfront payment of £0.5million and the remainder at a later agreed date. Savings from the project have been harder to achieve as the majority of the savings were linked to income generation which has not been achieved due to the recession - the recession itself and its depth was not anticipated at the stage when these savings were allowed for. For example, through land charges and offsetting the cost of modernisation in selling data. However, savings through a restructure of the planning and environment services have been achieved together with improved access to planning for customers.

The second stage of the project delivered better VFM. The original set up for stage two of the Spatial project was scaled right back as the technology would not deliver as required and was not affordable. For the original specification the Council would have had to rewrite interfaces to pull data from back office systems so that the customer service centre could see the customer record in one place, at a cost of £2 million. A pragmatic approach was taken and the Council identified an alternative and appropriate solution costing £125K of Smartpoint using web protocols. This alternative also was not affected by any subsequent change to the backend IT system.

From 2010/11 the savings for the Spatial project are now badged as transformation savings. These are shown together with savings coming from the shared services and are identified in the MTFP as £578K - made up of the £302K Spatial project savings, and £276K shared services savings. The Spatial project savings are built into the MTFP and are not double counted within shared service savings. The shared service savings relate to efficiencies through CCTV/lifeline shared services etc. The single management team costs and savings are also identified separately.

VFM criterion met**Yes**

In addition to a joint senior management team many other initiatives are being implemented with RBC, county wide involving districts and County. The Council became host of regulatory services for the districts and county from June 2010.

There is a robust system in place for managing efficiencies and delivering cost savings from non-priority services to enable the improved performance of priority services. Plans to improve the lifeline/CCTV shared service include a shared control room with a reduction of costs. The Council's spend is relatively high compared to others and satisfaction is average or lower than average. However the Council has an improved understanding of the reasons behind this and is proactively working to improve through developing service reviews and delivering shared services. There is an understanding of the local context, how this impacts on spend and on how this may change the shape of future service delivery.

KLOE 1.3 (Financial reporting)**VFM criterion met****Yes**

The Council considers quarterly integrated performance and finance reports highlighting key financial performance issues and risks. This reporting enabled remedial action to be undertaken promptly as evidenced by a projected shortfall of £300K which required action to be taken in the year. Reports give a clear indication of where the organisation is, future pressures, where additional savings can be made together with forecast outturns for the financial year. The reports produced are clear and easy to understand. Monthly reports on-line are produced for budget holders.

Work on the implementation of IFRS financial statements has been undertaken in accordance with a detailed timetable and the Council has allocated specific resource to this.

VFM criterion met**Yes**

Summary financial information is published in a local newspaper each autumn which is understandable to the local community prepared in a format engaging to the reader. Council is clear about being open with the public. All reports good or adverse have been published on the council's website and all committee papers are available online. It is at an early stage in collecting information on its environmental footprint.

The 2009/10 financial statements were well prepared and included all the entries necessary to amend the accounting treatment of the Spatial project which was the reason for my opinion being qualified last year.

KLOE 2.1 (Commissioning and procurement)**VFM criterion met****Yes**

Your procurement strategy links through to the Sustainable Community strategy and the corporate plan. You have identified opportunities to work with district partners in a number of areas to jointly commission and procure goods and services.

The Council has a clear understanding of the inequalities and diversity of its communities and this is reflected in its Sustainable Community Strategy (SCS). The Council's procurement strategy links through to the SCS and the corporate plan.

The Council has good arrangements in place to engage with stakeholders, service users and harder to reach groups. Supplier seminars are held which concentrate on how to do business with the Council and encourage the use of procurement cards – which provides better VFM for the supplier.

There is improved access to services which is improving customer's experience of services and satisfaction levels. Customers are able to access more services on line. The Customer Service Centre is able to deal with customer enquiries across the whole range of services. Voice Recognition analysis has been implemented in Benefits improving turnaround of claims. E-enabled procurement processes are at an early stage. The stable and robust IT platform has enabled shared services with RBC.

VFM criterion met**Yes**

The Councils understanding of the market in relation to procurement and commissioning has improved. The Council is making itself more accessible to businesses for example through having more framework agreements in place. It has a better understanding of how it can shape the market. For example councils can work more collaboratively and minimise the number of contracts in place with the same companies and improve VFM. They also understand which suppliers are very dependent on council contracts.

It considers different ways of procuring and commissioning services and goods. Working with the other Worcestershire districts, significant amounts of money were saved through the joint renegotiation of insurance contracts.

Shared services and collaborative working arrangements developing to improve VFM. The Council is already jointly providing services eg elections and back office functions of IT and payroll. The Council shares a procurement officer and has brought services together with RBC eg CCTV and lifeline.

KLOE 2.2 (Data Quality and use of information)**VFM criterion met****Yes**

The production of good quality data and governance arrangements for data sharing with partners have improved.

The evidence received shows the quality of data given to members has helped them to make well informed decisions. Information is often underpinned by diversity and equality issues, demographic information and with comparatives. For example, data presented to members about usage of the fitness suite supported a more robust decision being made to improve facilities for people. Another example is the quality of the data around telephone answering and queue times in the customer service centre which led to redesigned processes, more resources and ultimately easier and quicker access for people. IT systems are set up to minimise data handling and the occurrence of error.

Standards and practices are in place to make sure that systems are secure.

Performance management is robust with targets set and reported on. Targets are not maintained for their own sake.

VFM criterion met**Yes**

Financial and performance information is reported as one report quarterly which improves the council's understanding of VFM. This information includes trends and comparatives which means that senior officers and members are better placed to make well informed decisions. Members through the Performance Management Board scrutinise performance and receive enough information to know if there are areas of underperformance and address. The council's arrangements for project management continue to develop.

KLOE 2.3 (Good Governance)**VFM criterion met****Yes**

Good processes for member development are in place and primary status of the Member Charter has been achieved. Scrutiny has been strengthened. Members are kept up to date with what is happening locally and nationally through a scrutiny newsletter.

The Council has a clear vision of what it wants to achieve based on a sound understanding of local need. Relationships between officers and members are generally open and focussed. Problems are openly played out in the press which may reduce public confidence in the democratic process. The Council works hard to improve its understanding of community needs and to work with communities.

There is good training on ethical standards which has been recognised by the Standards Board for England. Compliance with gifts and hospitality rules are monitored. However whistle blowing procedures are not widely communicated. The Council is developing its arrangements for the declaration of interests by staff.

The governance of its partnership working is improving and you are learning from other councils. Closer scrutiny of how partner arrangements add to the decision making process are being looked at, as a result some arrangements have stopped. The Council has close working relations with the VCS eg on the community transport programme.

KLOE 2.4 (Risk Management and Internal Control)

VFM criterion met

Yes

The Council has adequate risk management arrangements in place. Highlighted risks have associated actions and owners to either eliminate or minimise that risk are clear and concise. Internal Audit undertake audits of the departmental risk registers and provide assurance the information reported in the quarterly monitoring report to members is accurate. Risk has been considered as part of the Shared service arrangements with RBC.

The Council is improving the arrangements it has in place to manage the risk of fraud and corruption. A corporate anti fraud team is in the process of being established. Pro-active work has been undertaken on the award of Council Tax single person discount with three proven fraudulent claims. Awareness training is being planned to be delivered to staff and members of the Audit Board. The Council has taken part in the NFI data matching exercise and all matches are followed up and investigated.

An Audit Board is in place meeting governance requirements. An Internal Audit section is in place to undertake cyclical reviews of systems and issues within the council based on a risk assessment. A recommendation tracker system is being implemented to the Audit Board for all high and medium risk recommendations to focus attention on the recommendations which will have impact and require follow up in order to reduce the risk to the organisation. Financial regulations are in place and these are reviewed on a regular basis to ensure that they are fit for purpose. These are available to staff via the intranet and the internet. Procedure manuals are in place to cover all the fundamental systems of the organisation.

KLOE 3.1 (Use of natural resources)

VFM criterion met

Yes

The Council is developing a strategy to understand, monitor and reduce its use of natural resources and its negative impact on the environment. Baseline information has been gathered in the areas where they can have most impact- mostly around CO2 emissions. It understands that its own buildings are poor rated and that investment will be needed to improve the level of emissions. Transport contributes highly to CO2 emissions. The refuse fleet is being changed

VFM criterion met**Yes**

and the procurement process considered sustainability for the new fleets. The service is also looking at better routing to improve VFM and sustainability, together with working with RBC collecting for each other when it's sensible to do so.

Targets have been set to manage performance around use of natural resources. The Council aims to reduce CO2 emissions by 2 per cent each year and has systems in place to monitor this. The Council works with the County Council and all the districts on the Warmer Worcestershire project - the over 60's scheme for insulation which was fully subscribed for this year. There is a grants scheme for renewable energy - solar panels, ground source pumps, mini wind turbines, and grants have been given this year. The Council is undertaking a local climate impact profile. The Sustainable Community Strategy has been revised and now has climate change as one of environmental priorities. Committee reports now contain a section to ensure consideration of sustainable issues. This is making people think about sustainability and the links to what they are doing. The Council is looking for ways to reduce its impact on the environment. The Council has systems in place to help protect and restore natural habitats. Working in partnership with the Worcestershire Wildlife Trust and the Environment Agency two projects to restore the natural habitats of water voles have taken place.

KLOE 3.3 (Workforce planning)**VFM criterion met****Yes**

The Council is improving its services to the public. Gaps in staff skills are identified through the performance management framework and Personal Development review which identifies training and development needs to increase performance and standards. Each member of staff has a monthly one to one with their manager. The Council has improved the way it is perceived as an employer. The level of employee satisfaction is important to senior officers and members and annual surveys of satisfaction are carried out. There are effective performance management arrangements to support management including sickness absence.

VFM criterion met**Yes**

A workforce plan is being developed and implemented in collaboration with RBC. The Council is Investors in People accredited and operates a Modern Managers Framework setting out the standards required of managers supported by a comprehensive training program.

Organisational change is effectively managed through visible and open leadership. The Chief Executive meets staff and gives clear messages whether good or bad and any members of staff can meet with him individually. This is supported by staff and manager forums.

There are established policies and practices to support diversity. There is an Inclusive Equalities scheme and an Equality and Diversity Forum has been operating over the last couple of years. The workforce reflects the local population in relation to age and ethnicity, though not in terms of disability. The Council has achieved Level 3 of the Equality standard. Job Evaluation was implemented in May 2009.

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