

**BRISTOL CITY COUNCIL  
AUDIT COMMITTEE**

**27 September 2010**

**Report of: Strategic Director (Resources)**

**Title: Grant Thornton - FINAL VFM Conclusion Report 2009-10**

**Ward: Citywide**

**Officer presenting report: Will Godfrey, Strategic Director of Resources**

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**RECOMMENDATION**

The Audit Committee note, and comment as appropriate, on Grant Thornton's VFM conclusion report.

**Summary**

The report includes details of the results of Grant Thornton's VFM conclusion report.

A draft version of this report was discussed at the Resources and Scrutiny Commission meeting on 10 September 2010. This version includes a number of amendments, including an amendment to the management comments at the request of the Commission.

**The significant issues in the report are:**

Following the Government announcement that the Comprehensive Area Assessment was to be abolished, the Audit Commission confirmed that use of resources assessments would cease and scored judgement would not be made.

We anticipate providing an unqualified VFM conclusion to the Council. The Council has continued to build on the improvements made in 2008-

09, through the introduction of corporate arrangements, such as the VFM Strategy and the Commissioning Strategy. The Council now needs to establish its corporate performance management processes and demonstrate that the services it provides are value for money, during the current economic challenges.

## **Policy**

None affected by this report. The Audit Commission has statutory responsibility for inspection and assessment at the Council. Grant Thornton are the Council's appointed external auditors. In carrying out their audit and inspection duties they have to comply with the relevant statutory requirements. In particular these are the Audit Commission Act 1998 and the Code of Audit Practice with regard to audit, and the Local Government Act 1999 with regard to best value and inspection.

## **Consultation**

**Internal:** Grant Thornton has discussed and agreed their findings with Council officers prior to the issue of this report.

**External:** N/A

## **1 Introduction**

1.1 This report builds on the fieldwork carried out prior to the abolishment of use of resources. It has informed our VFM conclusion and has been developed into a local action plan.

1.2 The Report provides a commentary on:

- The Council's VFM conclusion, that the Council has proper arrangements for securing economy, efficiency and effectiveness in the use of its resources.
- Summary findings and recommendations:
  - Financial management;
  - Commissioning and Governance; and
  - Management of natural resources, assets and people.

1.3 Grant Thornton's auditors responsible for the City Council's audit will be attending the Committee, and will be pleased to answer Members' questions.

## **Other Options Considered**

Not applicable.

## **Risk Assessment**

Not as a result of this report.

## **Equalities Impact Assessment**

There are no issues arising from this report.

## **Legal and Resource Implications**

None arising from this report.

## **Appendices:**

Appendix 1 - Grant Thornton's Final VFM Conclusion Report 2009-10

## **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**Background Papers:** None

## Bristol City Council

VFM conclusion 2009-10

Final - September 2010

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# 1 Introduction

## **Introduction**

- 1.1 In carrying out our audit, we comply with statutory requirements governing our duties, in particular, the Audit Commission Act 1998 and the Code of Audit Practice (the Code).
- 1.2 The Code of Audit Practice emphasises the respective responsibilities between audited bodies and their auditors. The Council is responsible for putting in place proper arrangements for the preparation of its accounts, governance of its affairs and for making adequate arrangements to secure economy, efficiency and effectiveness in the use of its resources. We are required to form an opinion on the Council's annual financial statements and whether the Council has adequate arrangements to secure economy, efficiency and effectiveness in the use of its resources.
- 1.3 In May 2010, the Government announced that the Comprehensive Area Assessment (CAA) was to be abolished. Following this the Audit Commission confirmed that our work for the Use of Resources assessment (UoR) should cease with immediate effect.
- 1.4 Whilst there will not be a scored UoR assessment for 2009-10, the work completed at that time has informed our value for money conclusion.

## **Scope**

- 1.5 We have completed the work to inform our value for money conclusion in accordance with our agreed audit strategy as set out in our Financial Statements Plan. This report will be presented to the Audit Committee on 27 September 2010. The scope of our audit was an assessment of the Council's arrangements for:
  - financial management;
  - commissioning and governance; and
  - management of natural resources, assets and people.

## **Overall conclusions**

- 1.6 We anticipate providing an unqualified value for money (VFM) conclusion to the Council.
- 1.7 The Council has continued to build on the improvements made in 2008-09, through the introduction of corporate arrangements, such as the VFM Strategy and the Commissioning Strategy. The Council now needs to establish its corporate performance management processes and demonstrate that the services it provides are value for money, during the current economic challenges.

### **Financial management**

- 1.8 The Council has strengthened its financial planning through its medium term financial plan and continues to have effective processes in place to identify and address in year overspends. The Council's budgets were agreed in a timely manner and included efficiency savings.
- 1.9 The Council has continued to develop its understanding of costs and value for money. A corporate VFM strategy has been developed and agreed by Members and the Strategic Leadership Team, supported by a delivery plan. The Council now needs to build on these arrangements to ensure key priority services represent value for money and to increase the delivery of efficiency savings in the current economic climate.

### **Commissioning and governance**

- 1.10 The Council has improved its commissioning arrangements through the adoption of a Commissioning Strategy and Commissioning Services Delivery Plan. Again the Council should build on its strategic approach to ensure commissioning enables change and delivers improved outcomes, through procurement savings, service redesign and greater customer involvement, in order to ensure services meet their needs.

### **Management of natural resources, assets and people**

- 1.11 The Council has a Corporate Asset Management Plan which is in line with the Sustainable City Strategy, aiding delivery of the Council's strategic plans. The Council has also started to implement local asset management plans for each Neighbourhood Partnership Area. These plans should be developed and clearly demonstrate how they support and assist in the delivery of the Council's strategic and operational priorities.
- 1.12 The Council recognises the value of its people and has developed a People (workforce) Strategy. The Council should develop Directorate workforce strategies which will deliver and support the People Strategy.
- 1.13 The Human Resources (HR) Shared Transaction Service was introduced in 2009. Performance standards should be developed for this service and monitored to ensure a quality service is delivered.

### **Use of this report**

- 1.14 This report has been prepared to advise you of the matters arising from our audit work in relation to our value for money conclusion and should not be used for any other purpose or be given to third parties without our prior written consent.
- 1.15 Our report is part of a continuing dialogue between the Council and ourselves and should not be relied upon to detect all errors, systems or control weaknesses or opportunities for improvements in management arrangements that might exist. The Council should assess the wider implications of our conclusions and recommendations before deciding whether to accept or implement them, seeking your own specialist advice as appropriate.
- 1.16 We accept no responsibility in the event that any third party incurs claims, or liabilities, or sustains loss, or damage, as a result of their having relied on anything contained within this report.

### **The way forward**

- 1.17 We have discussed the recommendations with the Strategic Director of Resources and will report the actions management have taken at the conclusion of our audit, in our Annual Audit Letter.
- 1.18 Given the scale of the pressures facing public bodies in the current economic climate, the Audit Commission has reviewed its work programme for 2010-11 onwards. As part of this exercise, the Commission has been discussing possible options for a new approach to local VFM audit work with key national stakeholders.
- 1.19 From 2010-11 we will therefore apply a new, more targeted and better value approach to our local VFM audit work. This will be based on a reduced number of reporting criteria specified by the Audit Commission, concentrating on:
- securing financial resilience; and
  - prioritising resources within tighter budgets.
- 1.20 We will determine a local programme of VFM audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities. We will no longer make annual scored judgements relating to our local VFM audit work. Instead we will report the results of all the local VFM audit work and the key messages for the audited body in our annual report to those charged with governance and in a clear and accessible annual audit letter.

### **Acknowledgements**

- 1.21 We would like to record our appreciation for the assistance and co-operation provided to us during our work by the Council's staff.

**Grant Thornton UK LLP**

August 2010



## 2 Detailed findings

### **Financial management**

- 2.1 In this section we have considered strategic and financial management, that is whether the Council plans its finances to deliver its priorities and the extent to which it has a sound understanding of its costs and performance. Issues identified and relating to financial accounting and financial reporting are reported to the Council in our ISA260, during September.
- 2.2 The Council continued to demonstrate good strategic financial planning and effectively managed its spending, as identified in 2008-09. The Council set and reviewed its annual revenue budgets in a timely manner. The budgets included efficiency savings and the Council achieved efficiency savings in the region of £10 million both in 2008-09 and 2009-10.
- 2.3 The Council developed a three year medium term financial plan and implemented strategies to deliver strategic priorities and secure financial health. This was demonstrated by the allocation of resources to priority areas, such as looked-after children. In addition the Council had a robust treasury management strategy which was reviewed and updated to reflect the current economic climate.
- 2.4 During 2009-10 the Council experienced overspends in Adult Social Care. The Council was aware of the situation and introduced an action plan to address the overspends. The Council was able to significantly reduce the overspend by the year end.
- 2.5 We consider there is scope to improve arrangements by ensuring the Council is able to fully demonstrate to Members the impact of spending decisions, both relating to investment and disinvestment. This would improve the information provided to Members and support the decision making process. This could be achieved by ensuring the expected outcomes, as a result of these changes are fully understood, monitored and reported to Members.
- 2.6 The Council continued to develop and improve its understanding of costs and the delivery of efficiency savings. In 2009-10 the Council introduced its VFM strategy with clear priorities and goals for 2010 against which performance could be actively managed in comparison with other authorities.
- 2.7 The Council at Directorate level was able to demonstrate good understanding of costs and performance, as evidenced by scrutiny reports for CYPs and Adult Social Care. At Corporate level this understanding has been improved through the introduction of the VFM strategy.
- 2.8 The Council fully understands the priorities it faces, which the Council has been trying to address for the past few years, such as education attainment and adult social care. Achieving and demonstrating that these priority services are value for money continues to be a challenge for the Council. The Council needs to continue to focus on ensuring that these services provide value for money.
- 2.9 The programme of 'Performance Clinics' are one off reviews which focus on specific areas where performance is of concern. They are based on cost and performance information and are an outcome of the Council understanding its position and taking appropriate action. The

Council is able to demonstrate improvements through the performance clinics, for example a saving of £230,000 in home to school transport, and performance improvement in the speed of processing of planning applications.

- 2.10 The Council is undergoing significant business transformation, and gross cashable savings in the region of £4 million (2009-10) were achieved. The savings will, however, not exceed costs until 2011-12 on current forecasts. Further details on our review of Business Transformation can be found in a separate report. However, we consider that the Council, Strategic Leaders and Members, should regularly evaluate the Business Transformation Programme to ensure it remains focused on the Council's priorities, provides optimal and acceptable levels of contribution in the current economic climate.
- 2.11 The Council has achieved its planned level of efficiencies as at 31 March 2010, £9.5 million. However, the Council did not monitor progress against targets during the year. In order to ensure efficiencies are achieved and corrective action can be taken we recommend that the Council should monitor progress against efficiency targets throughout the year. Monitoring should also include service performance indicators to ensure the impact on front line services is fully understood and can be mitigated.

### **Commissioning and governance**

- 2.12 This section considers strategic commissioning, use of data, good governance and internal control.
- 2.13 The Council recognised that commissioning was an area requiring development and as such made a number of improvements in 2009-10:
- a Sustainable City Strategy was introduced setting out the long term aims for the Council; and
  - a Commissioning Strategy, setting out the strategic position was developed and agreed, supported by a Commissioning Services Delivery Plan. The Delivery Plan identified the key services where improvements are required.
- 2.14 The Council also began to consider service redesign and understand the supply market across all its services, both in-house and outsourced. Procurement practices have delivered some savings and the Council is undertaking joint procurement exercises to increase efficiency savings.
- 2.15 The Council needs to build on these new arrangements and demonstrate clear outcomes as a result.
- 2.16 The Council has had a comprehensive data quality policy available to all staff on the intranet for the past three years. A data security policy is in place and maintained and internal data quality audits are performed to ensure data quality.

- 2.17 The Council is able to respond and develop service performance information to support a range of services and individual requests. The Council's in-house performance data system, spar.net system is flexible to enable extensive local reporting. However, as a result the information produced is varied and not consistent across the Directorates.
- 2.18 The performance clinics have improved the link between financial and performance information, but are only focused on under performing services. The range of information which the performance clinics provide is not yet available to all decision makers. Officers are working with Members to improve the information available. Training sessions have also been held for Members to enable them to understand and access neighbourhood information.
- 2.19 During 2009-10 the Council focused on addressing underperformance within known problem areas as identified and addressed through the performance clinics. This is supported by the Council reducing its forecast overspend in adult social care and addressing underperformance in processing planning applications. As a result strategic performance management, which would look at performance across the whole Council has not been undertaken within 2009-10 and has been focused at Directorate level. In addition performance monitoring for Members has focused at directorate scrutiny commission level and the extent of integrated financial, performance and equality data was varied.
- 2.20 In 2009-10 Cabinet or a delegated committee did not receive corporate performance management information which focused on the Council's priorities across all Directorates. The focus has been at Directorate level. The Council has begun to improve its corporate performance management arrangements. The Council should introduce corporate performance monitoring, which integrates both financial and performance information.
- 2.21 We established that the Council continued to promote and demonstrate the principles of good governance. The constitution was available on line and updated annually. Codes of conduct for Members and staff are in place and the Council has an active standards committee. In addition new governance arrangements were introduced for the Bristol Partnership which should assist in delivery of local priorities going forward.
- 2.22 Ensuring value for money through working together remains a key goal for all organisations within the Bristol Partnership. In the current economic climate achieving maximum benefit for the public and minimising the impact of financial cuts going forward, should be a high priority for all public sector organisations. The Council should consider how this can be achieved through partnership working.
- 2.23 The Council has developed effective risk management arrangements internally and has improved arrangements in partnership with others. In 2009-10 the Council in conjunction with its partners introduced joint risk registers for the Bristol Partnership and the West of England Partnership.
- 2.24 The Council has maintained strong controls surrounding fraud and corruption and has an effective Audit Committee in place. The Audit Committee provides robust challenge to both officers and external bodies and has appointed two independent members to strengthen its function.

## **Management of natural resources, assets and people**

- 2.25 This section considered management of the Council's workforce and of its assets. Our review in 2009-10 did not include the management of natural resources.
- 2.26 The Council has a Corporate Asset Management Plan which is in line with the Sustainable City Strategy, aiding delivery of the Council's strategic plans. This was supported by the Capital Programme, and Treasury Management Strategy, outlining further proposed projects and financing. The Council developed an Asset Management Plan for the Children and Young People's Services, a priority area for the Council. This identified all the assets used within the service, and any action/investment plans proposed for each asset, demonstrating that the Council is using its asset base to help deliver sustainable social, environmental and economic outcomes. The Council also started to implement local asset management plans for each Neighbourhood Partnership Area. These plans should be developed to clearly demonstrate how they support and will assist in the delivery of the Council's strategic and operational priorities.
- 2.27 The Council has been able to provide positive outcomes as a result of work being undertaken on its asset base in order to achieve savings and value for money. Examples of these outcomes include a benchmarking exercise against other local authorities on property performance data. The results of this exercise showed that Bristol performed better than average for 11 of the 17 categories.
- 2.28 The Council began to demonstrate working with other Councils to take advantage of opportunities for shared use of assets, through the Joint Local Transport Plan, and the development of Local Asset Management Plans. However, key strategies such as the Office Accommodation Strategy identifies that the Council has not yet fully considered all the options for working with other organisations, such as the PCT.
- 2.29 A new People (Workforce) Strategy was developed with partners and agreed in January 2010. This strategy set out the vision for the workforce over next 5 years and reflects the MTFP 2008-2011 and budget 2010-11. The plan aims to forecast future staffing needs by rolling out a system of workforce planning across directorates and services with a direct link to service planning. However Directorate workforce plans have yet to be developed across all the Directorates and as at 31 March 2010 only draft workforce plans for children's services and health and social care were available.
- 2.30 The Council promotes itself as a good employer and targets recruitment at under represented groups. Job satisfaction improved from 67% in 2007 to 73% in 2009 but pride in working for Bristol City Council has reduced from 80% to 64%. The overall sickness absence rate has reduced from 9 days to 7.68 days but rates vary across services and reporting is not clear. Performance management arrangements are improving with 92% of council employees having had a performance review in 2009, compared to 86% in 2008. In 2008-09 we identified that individual employee performance was an issue for the Council and that service managers and the HR department should work together to address under performance. This issues still remains of concern to the Council.
- 2.31 In order to improve performance and achieve savings a shared transaction service was set up within the Council. This service included the operational function of the HR service. In order to ensure an effective service is delivered and maintained, agreed service standards should be developed and monitored. The HR function's performance against these standards should be reported to service users to enable them to understand how it is performing. Users of the service should also be able to provide feedback on the quality of HR service they receive, to ensure issues are addressed and performance improved as required.

- 2.32 The Council has well established policies and practices with updated HR policies and procedures on the intranet. It implemented Equal Pay early in 2004 and single status pay and benefits harmonisation was achieved across the Council and in all schools. The Council has achieved Level 4 of the Equality Standard and monitors its diversity profile. The workforce does not yet reflect the diversity of the local community, although it is able to achieve 23% of 70 modern apprentices being from BME communities due to targeted recruitment. The Council is also aware of the need to improve the age profile of its workforce, encouraging staff to work beyond retirement age, whilst trying to encourage younger people to join the Council. The Council should continue to address the age profile of its workforce, ensuring the workforce represents the community it serves and skills gaps are addressed.

### 3 Action plan

The following recommendations are in addition to those identified by the Council in its Use of Resources Action Plan April 2010 and should be considered in the context of significant change as a result of a reduction in resources going forward.

Recommendations	Priority	Management comments	Responsible officer	Implementation date
<p><b>1. Managing spending</b></p> <p>The Council should consider how it can evidence and demonstrate to Members the impact of spending decisions, both relating to investment and dis-investment on services.</p>	H	<p>Briefing to Cabinet, Scrutiny and all members re impact of central govt policy/ financial changes in July 2010.</p> <p>Extended consultation re budget options from July 2010 onwards, including engagement with Scrutiny.</p> <p>All reports to Full Council/Cabinet/Scrutiny - to ensure that the financial implications section gives sufficient and appropriate detail to allow members to make informed decisions.</p> <p>This will be kept under review throughout the year, because of the high level of volatility.</p>	Strategic Director - Resources	<p>July 2010</p> <p>July 10 – Jan 11</p> <p>Ongoing</p>
<p><b>Delivering efficiency savings</b></p> <p>2.1 The Council should focus on ensuring that its services are VFM, for example Adult Social Care and Education.</p>	H	<p>Implementation of VFM strategy, and its agreed priority areas for action. Quarterly reporting to SLT re progress made.</p>	SD – Resources and all Strategic Directors	Quarterly review

Recommendations	Priority	Management comments	Responsible officer	Implementation date
2.2 The Council should monitor through the year its progress against efficiency targets, to ensure it is on track to deliver planned efficiencies.	H	Directorate VFM plans in place.  SLT reviews on a regular basis and formerly on quarterly basis progress against delivering efficiency targets, and takes appropriate remedial action.	Strategic Directors  SD – Resources and all Strategic Directors	End March 2011  Quarterly review
<b>3. Commissioning</b>  The Council needs to build on its new arrangements, the Commissioning Strategy and Delivery Plan and demonstrates clear outcomes as a result.	H	Implementation of Enabling Commissioning Strategy, ensuring that there is VFM improvements in commissioning and procurement.	SD – Resources and all Strategic Directors	Quarterly review
<b>4. Performance Management</b>  The Council should introduce corporate performance monitoring, which integrates both financial and performance information.	H	New Performance Management Strategy 2010-2013 agreed in July 2010, along with action plan, by Cabinet. Implementation of reporting of new report cards, which incorporate people (customer/ staff), pounds and performance, along with comparative data from August 2010. SLT reviewing different aspects of performance on a monthly basis.	Deputy Chief Executive	Strategy agreed July 2010. Implementation from August 2010.  Monthly reports to SLT, Quarterly to Cabinet and Scrutiny
<b>5. Partnership Working</b>	H	VFM in Partnership working already agreed by	Deputy Chief Executive	May 2010.

Recommendations	Priority	Management comments	Responsible officer	Implementation date
The Council should demonstrate that partnership working achieves maximum benefit for the public and is able to minimise the impact of change as a result of financial cuts going forward.		BP Exec. From Nov there will be formal performance reporting on the delivery of the Bristol 20:20 Plan to the Governance Group. PCG reviews delivery on a quarterly basis.		Quarterly
<p><b>6. Asset Management</b></p> <p>The Council should demonstrate how its asset management plans support and help to deliver the Council's strategic and operational priorities.</p>	H	<p>Bristol is a partner with neighbouring councils in Total Place project re public sector asset review – to be delivered by 2012.</p> <p>Community Asset strategy on track to being agreed, and then move to implementation.</p>	<p>SD - Resources</p> <p>SD - Resources</p>	Ongoing
<p><b>7. Workforce</b></p> <p>7.1 The Council should develop Directorate workforce plans to support the People Strategy.</p> <p>7.2 The Council should establish agreed service standards against which the HR Shared Transactional Services can be performance monitored.</p> <p>7.3 Users of the service should be aware of how the HR STS is performing and be able to provide feedback on the service they receive.</p>	<p>H</p> <p>M</p> <p>M</p>	<p>Directorate workforce plans and aligned with People Strategy.</p> <p>Balanced Score Card is being finalised so STS performance can be monitored systematically.</p> <p>Customers are able to comment on service performance online. Articles on service performance are published on ad hoc basis through the council intranet. More systematic arrangements will be put in place to inform</p>	<p>Strategic Directors &amp; HR Business Partners</p> <p>Service Director: STS</p> <p>Service Director: STS</p>	<p>September 2010</p> <p>December 2010</p> <p>April 2011</p>



Recommendations	Priority	Management comments	Responsible officer	Implementation date
<p>7.4 The Council's HR service should continue to work with service managers to address individual employees under performance.</p>	M	<p>customers on service performance.</p> <p>Robust performance management arrangements which includes an annual report to SLT &amp; Elected Members. Where employee performance is below the required standard HR Advisers proactively supports managers in tackling poor performance.</p>	Service Director: HR and Strategic Directors	Ongoing
<p>7.5 The Council should continue to consider how it can address the age profile of its workforce.</p>	M	<p>The Council's People Strategy prioritises the need to improve the profile of the whole workforce to represents the communities we serve. A range of actions are in place to address this issue over the medium term.</p>	Service Director: HR and Strategic Directors	Ongoing