

Annual Audit Letter

Boston Borough Council

Audit 2008/09

December 2009



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Status of our reports

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

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

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources. It also includes a summary of the Audit Commission's organisational assessment of the Council.

Audit opinion

- 1 My work on the financial statements is complete and an unqualified audit opinion was issued on the 22 October 2009 as reported in my Annual Governance Report.
-

Value for money

- 2 I have identified weaknesses in your arrangements to secure economy, efficiency and effectiveness in the use of resources for the Value for Money Conclusion as reported in my Annual Governance Report and in more details within the Use of Resources Auditor Feedback Report.
-

Organisational assessment

- 3 Boston Borough Council performs poorly. This is because of the lack of leadership provided by the Council until very recently and a lack of capacity at a senior level. In recent years plans have not been completed when expected, there has been a track record of services not being planned properly and the needs of local people have not been taken into full consideration. Performance does not meet the Council's own targets and the process for managing performance is not fully used or enforced. Unless capacity at a senior level is addressed and scrutiny is enhanced, further improvement will be difficult to achieve.
-

Financial statements

- 4 Management agreed to adjust the financial statements for the errors identified within my Annual Governance Report and there were no errors (other than those of a trivial nature) that management declined to correct.
-

Financial position

- 5 The last year has seen the country enter a significant economic recession with an increasing demand for public services and likelihood of reduced levels of central government funding. Together, these provide significant challenges for the Council's already difficult financial position.
-

Audit fees

- 6 An additional fee has been agreed above that agreed at the start of the year as summarised below.

Table 1 Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	£89,116	£70,874	£18,242
Value for money	£23,854	£23,854	Nil
Total audit fees	£112,970	£94,728	Nil
Inspection	£12,692	£12,692	Nil
Total	£125,662	£107,420	Nil

Includes additional work undertaken in 2008/09 in relation to concerns raised by the public and work on governance arrangements and management performance

Actions

- 7 Recommendations are shown within the body of this report and have been agreed with the audited body.

Independence

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

Financial statements and annual governance statement

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

Significant issues arising from the audit

- 9 The audit opinion was unqualified although an emphasis of matter paragraph was included in relation to the going concern of companies consolidated within the Council's group accounts.
 - 10 The economic downturn is having a significant impact on public finances and the Council. The impact on treasury management is immediate but there are wider implications for service delivery, capital programmes and income streams. I have considered the impact as part of my responsibilities in relation to the financial statements and stewardship of public funds.
-

Material weaknesses in internal control

- 11 I did not identify any significant weaknesses in your internal control arrangements. I also reviewed your treasury management arrangements and again identified no significant weaknesses.
-

Accounting Practice and financial reporting

- 12 I considered the qualitative aspects of your financial reporting and there are no matters that auditing standards require me to report to you.
-

Financial standing

- 13 The last year has seen the country enter a significant economic recession. The consequence locally, is an increasing demand for public services and the likelihood of reduced levels of central government funding. Together, these provide a significant challenge for local councils as they seek to continue to provide services to local residents, whilst maintaining a sound financial position.
 - 14 The Council has responded to this challenge with a review of budget and financial plans. The impact of the recession will continue to present a challenge to the Council in the coming financial year and I will monitor your response and actions in this key area.
-

Value for money and use of resources

I considered how well Boston Borough Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

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

Use of resources judgements

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

Table 2 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	2
Governing the business	1
Managing resources	1

Value for money and use of resources

18 The Council performed poorly within six sub themes on the Use of Resources assessment. I have reported these weaknesses within the Annual Governance Reports and given an adverse value for money conclusion because of inadequate arrangements for:

- the Council having a sound understanding of its costs and performance and achieving efficiencies in its activities;
- the commissioning and procurement of quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and managing performance;
- promoting and demonstrating the principles and values of good governance;
- managing its risks and maintaining sound systems of internal control; and
- planning, organising and developing its workforce effectively to support the achievement of its strategic priorities.

Recommendation

R1 Boston Borough Council will need to take focused and constructive action to address the weaknesses identified within the use of resources assessment and subsequent value for money conclusion to demonstrate it is providing value of money to the public. It has made a start working with IDeA and setting up an independent Improvement Board.

VFM conclusion

19 I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources, against criteria specified by the Audit Commission. From 2008/09, the Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas have been reported separately within the VFM conclusion element of the Annual Governance Report and the Use of Resources Auditor Feedback Report.

20 I issued an adverse value for money conclusion stating that Boston Borough Council had inadequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial position

21 I have also considered the Council's financial position in light of the economic downturn. During 2008/09 the Council's:

- General Fund was under spent by £13,000 against a gross budget of £33m; and
- capital was under spent by £2.6m against a capital programme of £5m.

- 22** In 2009/10 the Council is forecasting a positive variance of £223,000 which will result in a contribution of £76,000 to the General Fund balance which is subsequently forecast to be £1.286m at the year end. The financial position of the Council remains challenging and the Council will need to monitor it closely.

Local Area Agreement

- 23** Local Area Agreements (LAAs) aim to enable public, private and community and voluntary sector bodies to pool their efforts and financial resources in order to improve service outcomes and quality of life for local people. The duty to prepare and performance manage the LAA rests with the County Council, but the involvement and commitment of all partners is clearly central to the effective delivery of LAA targets which reflect local priorities.
- 24** As part of our 2008/09 audit we agreed with the partner authorities in Lincolnshire that we would carry out a review of the risks associated with participation in the LAA.

Findings

- 25** At the time of the onsite work the Lincolnshire LAA was at an early stage of development. As a direct result of a concentration by partners on process and procedure few outcomes were likely to be delivered in the short term. This audit therefore concentrated on assessing if the correct building blocks were in place to ensure the delivery of outcomes the public will benefit from.
- 26** We found that the partnership was making progress in developing robust governance and performance management arrangements, although there were some specific aspects of good governance and process still to be implemented. Most of these will be put in place once the partners merge the LAA priorities in the Sustainable Communities Strategy for Lincolnshire. This is not likely to happen until the end of 2009/10. We recommended partners:
- clarify roles and expectations of each of the partners including priority leads, as well as programme management and working protocols to ensure that key timelines are met and delivery of outcomes remains on plan;
 - draft terms and conditions of funding in detail to ensure appropriate allocation and governance, and the appropriate use on priorities that will make a difference;
 - implement clear processes to ensure value for money is delivered, develop clear links between financial and performance management information and ensure the learning from the area two tier pathfinder efficiency review is replicated in this programme;
 - establish a clear risk and assurance framework which is linked back to individual priority risks and ensure the correct people and financial resources are in place to enable the effective management and delivery of the project; and
 - ensure the performance management framework that is clearly accepted and understood by all in order that clear reporting can be delivered to the Strategy Board and the public.

Value for money and use of resources

27 The partnership demonstrates capacity to improve in a number of ways:

- the partnership is self-aware, and as a result is taking steps to strengthen governance, financial management and performance management;
- there is clear leadership from the accountable body and communication between partners is good;
- partners have an obvious knowledge and commitment to the benefits of working together to deliver better outcomes for the public. Early signs show they are working well together to develop the delivery of the priorities;
- a governance structure is in place including the Strategy Board and the Planning Group; and
- delivery planning is taking shape and in most cases delivery plans are in place.

28 The Lincolnshire partnership is merging its LAA priorities into the SCS themes which will be the basis of reporting in future years. This should help to clarify the focus of the LAA targets and align them to the SCS themes. An LAA recommendations action plan is in place and the SCS strategy board is now monitoring the LAA actions quarterly.

Organisational assessment

The Comprehensive Area Assessment Lead has used my use of resources assessment along with an assessment of how well the Council manages its performance to come to an overall assessment for the Council. This is known as the organisational assessment.

- 29** Comprehensive Area Assessment, or CAA, is a new way of assessing local public services in England. It examines how well councils are working together with other public bodies to meet the needs of the people they serve. It is a joint assessment made by a group of six independent watchdogs and will provide an annual snapshot of quality of life in the area. There is also an organisational assessment for each council within the CAA.
- 30** The organisational assessment brings together the use of resources judgement with the Council's managing performance assessment. Boston Borough Council performs poorly. This is because of the lack of leadership provided by the Council until very recently and a lack of capacity at a senior level. In recent years plans have not been completed when expected, there has been a track record of services not being planned properly and the needs of local people have not been taken into full consideration. Performance does not meet the Council's own targets and the process for managing performance is not fully used or enforced. Unless capacity at a senior level is addressed and scrutiny is enhanced, further improvement will be difficult to achieve.

Table 3 Organisational assessment

Managing performance	1 out of 4
Use of resources	1 out of 4

- 31** The Council scores 1 out of 4 for Managing Performance. Overall performance is poor with the Council only reaching 55 per cent of targets the Council set itself in the last year. A lack of clear political direction is affecting key decisions being made properly. At senior management level there is a lack of capacity and resources to drive improvements forward, and staff feel they are not getting the leadership they need to support the direction the Council is going in. However, the Council has recognised major improvements are needed and has set up an Improvement Board to help with what it needs to do.

Organisational assessment

- 32** Despite this, the Council is delivering some positive outcomes against the priorities it has set itself. These include new bus services to get to town and in rural areas. Changes influenced by the Council, such as turning traffic lights off permanently, is reducing congestion. Several schemes such as the government Swim4life initiative, 'fit kids' programmes, and walking groups are giving residents the opportunity to get fitter. More plans to offer a healthier lifestyle such as healthy eating campaigns are being made. The town centre is now improved with a large-scale clean up collecting six tonnes of rubbish and involving local groups and residents. Keeping it clean is now the challenge. Improvements to the market place have resulted in occupancy going up and market traders taking over the running of the market stalls. While residents are more satisfied with the area as a place to live and believe the community is getting on better together, Boston is still well below the national average. The number of people who feel drink and drugs are an issue in open spaces has also reduced but are still at a level most residents would feel are unacceptable. In response to peoples needs and the recession the Council has put debt advice in place at the Courts and Citizens Advice Bureau.
- 33** Boston Borough Council scores 1 out of 4 for Use of Resources. It set an effective budget for 2009/10 which addressed significant financial difficulties. The Council is starting to recognise the need to link money to things that are important to the public. However, it does not fully understand all its costs, how they compare with other councils, and the use of cost and performance information is not being used to direct resources to areas of need. The Council has yet to develop robust arrangements for the commissioning and procurement of quality services. It cannot demonstrate that it has reliable data on which to make decisions. Corporate risks and those of partners are not fully assessed in advance and strong governance arrangements are not fully adhered to.
- 34** Boston Borough Council lacks capacity both at senior level and in other areas. Workforce planning is driven by finances without taking full account of council priorities resulting in gaps in some key service areas.

Closing remarks

- 35** I have discussed and agreed this letter with the Chief Executive and the Section 151 Officer. I will present this letter at the Performance Review and Governance Committee on the 18 March 2010 and will provide copies to all members.
- 36** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to Boston Borough Council during the year.

Table 4

Report	Date issued
Annual Governance Report	September 2009
Use of Resources - Auditor Feedback Report	October 2009
Organisational Assessment	December 2009

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- 37** Boston Borough Council is developing a positive and constructive approach to our audit and I wish to thank Council members and staff for their support and co-operation during the audit.

Chris Wilson
District Auditor
December 2009

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Annual Audit Letter 2008/09 Recommendations						
7	R1 Boston Borough Council will need to take focused and constructive action to address the weaknesses identified within the use of resources assessment and subsequent value for money conclusion to demonstrate it is providing value of money to the public. It has made a start working with IDeA and setting up an independent Improvement Board.	3	Chief Executive	Yes	Plans to address the weaknesses are being developed by officers and monitored by the Improvement Board. Plans will be finalised by January 2010 with improvements subject to review by the 31 March 2010	Currently in Progress

The Audit Commission

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.

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