

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Tuesday, 14th December, 2010
at 2.00 p.m.

A G E N D A

PART ONE

1. To note any items which the Chairman considers to be of an urgent nature.
2. To receive notice from Members who may wish to move any delegated matter non-delegated and which will be decided by a majority of Members present and voting at the meeting.

3. **Admission of Public and Press**

To consider whether the public and press should be excluded from the meeting during consideration of any of the items on the agenda.

4. Disclosure of Interests.

A Member with a personal interest in a matter to be considered at this meeting must either before the matter is discussed or when the interest becomes apparent disclose

1. ***The existence of that interest to the meeting.***
2. ***The nature of the interest.***
3. ***Decide whether they have a prejudicial interest.***

A note on declaring interests at meetings, which incorporates certain other aspects of the Code of Conduct and a pro-forma for completion where interests are disclosed accompanies the agenda and reports for this meeting.

5. To confirm the Minutes of the meeting held on 29th September, 2010 (copy attached).
6. Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

7. Presentation by the Audit Commission – International Financial Reporting Standards.
- (D) 8. Audit Commission – Annual Audit Letter for the year 2009-2010.

- (D) 9. Performance Management.
- (D) 10. Risk Management.
- (D) 11. Internal Audit – Final Reports.
- (D) 12. Internal Audit – Progress Report –
- (D) 13. Contract Standing Orders/ Financial Regulations/ Purchasing Guide/
Procurement Policy.

PART TWO

- (D) 14. Internal Audit – Final Report – Residual Waste Probity.

**NOT FOR PUBLICATION BY VIRTUE OF PARAGRAPH 3 OF PART
ONE OF SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972
AND ACCESS TO INFORMATION (VARIATION) ORDER 2006**

**NOTE (D) - Delegated
(R) - For Referral to Council**

Membership of Committee

Councillors Flitcroft (Chairman)
Unwin (Vice-Chairman)
Jefferson
Maddox
Sweeney
C. Thomson

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Published: 6th December, 2010

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting: 29th September, 2010
at 2.00 p.m.

PRESENT:- Councillors Flitcroft (Chairman), Unwin (Vice-Chairman), Jefferson, Maddox, Sweeney and C. Thomson.

Also present were Gina Martlew and Heather Green from the Audit Commission.

15 – Minutes

The Minutes of the meeting held on 29th June, 2010 were taken as read and confirmed.

16 – Audit Commission – Annual Governance Report for the Year 2009-2010

The Borough Treasurer reported that the Annual Governance Report was produced by the Audit Commission following the completion of their audit for each financial year.

The report for 2009-10 had been appended to the report and Gina Martlew, the Appointed Auditor along with Heather Green, the Audit Manager had attended the meeting to present the report to Members.

The Borough Treasurer had circulated a replacement Action Plan (Appendix No. 6) for Members' agreement at the meeting.

Gina Martlew had also circulated a revised copy of Appendix No. 1 – Independent Auditor's report to Members of Barrow-in-Furness Borough Council.

The Auditors concluded that they had undertaken their audit in accordance with the Code of Audit Practice. In so doing, they had identified that the Authority had a number of significant weaknesses in its governance arrangements for procurement, tendering and contracting arrangements, including:

- Ongoing non-compliance with Standing Orders;
- Work being completed without a contract in place;
- Contract variation orders not always complete or properly authorised; and
- A lack of supporting documentation to evidence the appointment of consultants.

Having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, the Auditor was satisfied that, in all significant respects, Barrow-in-Furness Borough Council had made proper arrangements to secure economy, efficiency and effectiveness in its

use of resources for the year ending 31st March, 2010 except for promoting and demonstrating the principles and values of good governance.

In the Auditor's opinion the Authority's accounting statements gave a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31st March, 2010 and its income and expenditure for the year then ended.

It was noted that the Auditor had identified errors in the financial statements and reported these to Management. Management had agreed to amend the financial statements for the errors identified in Appendix 2.

She had also identified errors in the financial statements which Management had declined to amend and these were summarised in Appendix 3.

The Auditor requested the Committee to:-

- Consider the matters raised in the report before approving the financial statement;
- Take note of the adjustments to the financial statements which were set out in the report;
- Agree to adjust the errors in the financial statements she had identified and which Management had declined to amend, or set out the reasons for not amending the errors;
- Approve the letter of representation on behalf of the Council before she issued her opinion and conclusion; and
- Agree the Committee's response to the proposed action plans circulated by the Borough Treasurer at the meeting.

The revised action plan is attached at **Appendix 1** to these Minutes.

Members reviewed the revised action plan and discussed the recommendations which had either been partially agreed or not agreed with.

Referring to Recommendation No. 1 – The Council should ensure that the explanatory foreword to the accounts covers the areas recommended by the SORP and that it provides an understandable guide for the reader of the accounts of the most significant aspects of its financial performance and year-end position (partially agreed with) – Members agreed that a short introduction would have been appreciated and that be looked at for the 2010-2011 Accounts.

All other Management responses were supported by the Committee.

RESOLVED:- (i) To note the information within the report and approve the recommendations; and

(ii) Note and approve the action plan.

17 – Final Accounts for the Year ended 31st March, 2010 – Audit Amendments

The Borough Treasurer reported that the Statement of Accounts and Annual Governance Statement for 2009-2010 had been reported to this Committee on 29th June, 2010. Following approval they were submitted to the Audit Commission for audit and certification.

He stated that the report should be read in conjunction with the Annual Governance Report, the previous agenda item submitted by the Audit Commission.

The accounts for 2009-2010 were free from material error and the Audit Commission had suggested a number of amendments which he had agreed to. There were other items highlighted by the Audit Commission which he had not agreed to amend. The reasons were set out in Appendix 6 of the Annual Governance Report.

The amended Statement of Accounts including the Annual Governance Statement was attached as an appendix to the Borough Treasurer's report.

RESOLVED:- (i) To note and approve the amendments agreed by the Borough Treasurer with the Audit Commission; and

(ii) To authorise the Chairman of the Committee to sign the amended Statement of Accounts.

18 – Letter of Representation 2009-2010

The Borough Treasurer reported that as part of the annual process of finalising the Accounts, there was a requirement to provide assurance to the Audit Commission on relevant and significant matters relating to the financial year. A letter of representation was issued to disclose material facts affecting the 2009-2010 transactions of the Council.

A copy of the letter of representation had been reproduced in the Borough Treasurer's report regarding the Council's audit for the year ending 31st March, 2010.

RESOLVED:- (i) To approve the letter of representation for 2009-2010; and

(ii) To authorise the Chairman of the Committee (Councillor Flitcroft) and the Borough Treasurer to sign the letter on behalf of the Council.

19 – Internal Audit – Progress Report April to September 2010

The Borough Treasurer submitted a report stating that the Committee would receive regular progress reports on the programme of work carried out by the Internal Audit Service. The attached report related to the period April to September 2010.

The Council's Internal Audit Manager had attended the meeting to present the report to Members.

The report contained a statistical summary of the total number of recommendations (19). It was noted that all 19 had been fully accepted. Each of the recommendations had been assigned a Priority graded 1-3; 1 being major issues and 3 being minor issues. A breakdown of restricted assurance audits had been appended to the report.

Attached at Appendix 1 was a list of draft reports issued which were awaiting Management response and the Committee agreed that reference numbers IT40, CR52, CR53 and CR55 be officially reminded by this Committee that an urgent response was required.

RESOLVED:- (i) That the report be noted; and

(ii) That the Managers responsible for reports IT40, CR52, CR53 and CR55 be reminded officially by this Committee that an urgent response was required to the reports.

20 – Internal Audit – Final Reports

The Borough Treasurer reported that Internal Audit had completed a number of audits in accordance with the approved annual programme. On completion, final reports were presented to this Committee for consideration.

The Council's Internal Audit Manager attended the meeting to present the report to Members.

There were five final reports appended for consideration. Assurance levels for these reports were all Substantial. The reports included:-

1. Car Park Meter Income;
2. Licensing;
3. Non-Routine Public Buildings Maintenance;
4. Financial Information System; and
5. Housing and Council Tax Benefits.

RESOLVED:- That the information be noted.

The meeting closed at 3.13 p.m.

Appendix 1 – Action Plan

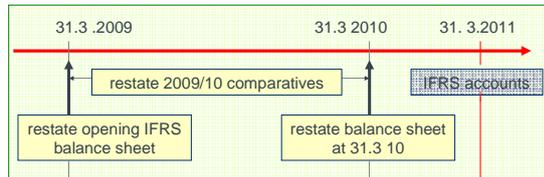
Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R1 The Council should ensure that the explanatory foreword to the accounts covers the areas recommended by the SORP and that it provides and understandable guide for the reader of the accounts of the most significant aspects of its financial performance and year-end position.	3	Borough Treasurer Deputy Borough Treasurer	Partially	I think this recommendation should be ranked as 1 low priority. The foreword is an introduction by the Treasurer to the Statement of Accounts. The contents should be at the discretion of the reporting officer. The contents will be reviewed for the 2010-11 accounts as there will be major changes to the accounts under IFRS.	April 2011
8	R2 The process for the compilation of the Annual Governance Statement (AGS) should be improved. In particular: <ul style="list-style-type: none"> The preparation of the AGS should be supported by an evidence gathering process to provide Members and Management with assurances over the governance arrangements which are required to be reported. The draft AGS should be considered and reviewed by Management and Members prior to finalisation and approval. Significant weaknesses should be identified in the AGS and the AGS 	3	Director of Corporate Services	Yes	An indicative audit trail showing minutes of relevant meetings and Bibliography of documents will be available for the 2010/11 AGS to reflect evidence gathering and input from Members and Management. Any apparent weaknesses in the Council's system of governance will be identified.	November 2010 to March 2011.

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	should include an action plan setting out how the weaknesses are to be addressed.					
9	R3 The accounts should disclose what specific purposes the earmarked reserves have been established to fund.	3	Borough Treasurer	No	I do not agree that this is a high priority issue it should be ranked 1 low priority. I think that the Statement of Accounts is not the correct place to detail the reserves. This is reported quarterly to the Executive Committee.	N/A
10	R4 The Council must take prompt action to ensure that Internal Audit can access all the information that is required to provide the Council with assurance over the IT controls in operation at Liberata.	3	Borough Treasurer	Yes	The issue has been resolved and Internal Audit will be progress the work soon.	October to December 2010
12	R5 The Council should ensure that the regular checks to ensure that Valuation Office Schedules have been reconciled to the Council Tax and NNDR systems by Liberata are undertaken regularly during the year.	2	Borough Treasurer	Yes	A new procedure has been adopted.	October 2010
12	R6 Provisions for bad and doubtful dates should be based on historical collection performance and assessment of specific debts.	2	Deputy Borough Treasurer	Yes	The calculation of the bad debt provision will be reviewed during 2010-11. However, the Treasurer feels that the level of the provisions held at 31 March 2010 reflected the current economic climate.	April 2011
12	R7 Housing Benefit overpayment debtors that are being recovered from ongoing benefit should be included in the accounts	2	Borough Treasurer	Partially	I think that the uncertainty and continuous changes to this item would make the inclusion of this debtor in the accounts and therefore increase the General Fund Balance as imprudent action. These debtors would be subject to a bad debt assessment and a	

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
			Deputy Borough Treasurer		provision made as their collection is not certain. Other local authorities will be contacted to assist in reviewing the approach taken in accruing and accounting for these debts.	January to March 2011
17	<p>R8 The Council must take urgent action to address the weaknesses identified in tendering and contracting arrangements. Action must be taken to ensure that:</p> <ul style="list-style-type: none"> • Standing Financial Instructions and Contract Standing Orders are kept up to date and all procurement practices in the Council are compliant with these regulations. • The procurement policy is kept up to date and is consistently applied across the Council. • Contracts are put in place for all tender exercises before work or services commence. The contracts register should be complete and accurate. • Tendering thresholds should be reviewed to ensure that the Council is satisfied that the thresholds are appropriate. 	3	<p>Director of Corporate Services</p> <p>Technical Services Manager</p> <p>Director of Corporate Services</p> <p>Chief Executive</p>	<p>Agreed</p> <p>Agreed</p> <p>Agreed</p> <p>No</p>	<p>Contract standing orders will be reviewed and any amendments will be reported to Committee in November 2010</p> <p>In certain circumstances, to ensure that there is interruption to service delivery, the completed contract documents may not be in place at the start. However, this will be noted in the register.</p> <p>It is felt that the thresholds used by the Council are appropriate and necessary to ensure that small local businesses are not burdened by the expensive tendering process.</p>	<p>January 2011</p> <p>December 2010</p> <p>December 2010</p>

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	<ul style="list-style-type: none"> All tender exercises must be completed in accordance with standing orders. 		Technical Services Manager	Agreed		Immediate

Timetable



- Opening figures have to be restated



Why is adoption of IFRS an issue?

- Major change to financial reporting
- Volume & complexity of IFRS will present a challenge
- Not just about external financial reporting.....



IFRS - key technical differences

1. Presentation of statements
2. Segmental reporting
3. Property plant and equipment
4. PFI and similar contracts
5. Leases
6. Employee benefits
7. Group accounts

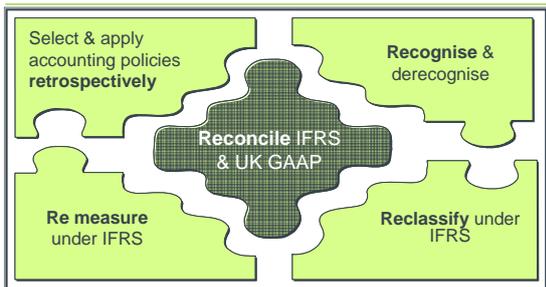


Role of the auditor

The auditor can...	Cannot...
<ul style="list-style-type: none"> • Discuss the implications of IFRS • Undertake an early review of accounting proposals • Discuss presentation and measurement issues • Review and discuss processes and systems 	<ul style="list-style-type: none"> • Recommend accounting policies • Calculate entries required • Recommend disclosures or presentation of item • Advise on or implement systems



The '5 Rs' of IFRS transition



Must Dos

- Start early
- Ensure everyone aware of the change :
 - senior management
 - Members
 - non-finance staff
- Talk to auditors
- Get a plan
 - risk assessed
 - resourced
- Implement the plan
 - Governance arrangements



Are you on track?
- By now you should have done all this:

Undertake high level impact assessment/planning	
Identify changes to accounting policies	
Identify key staff	
Train key staff	
Identify systems and procedural changes	
Identify information required for restatement	
Develop skeleton accounts	
Obtain information to restate opening BS	



Are you on track?
- Continued

Identify impact on budgets	
Implement systems & procedural changes	
Restate 1/4/09 Balance Sheet	
Compile 2010/11 budgets (IFRS)	
Test systems and procedures	
Restate 2009/10 accounts	April - Dec 2010
Audit review of restated accounts	Feb – March 2011
Produce 2010/11 accounts on IFRS basis	June 2011



What questions should I be asking?

• Project Planning

- Who in the senior management team is responsible for oversight and delivery of the project?
- Who is the lead member?
- Does a gap analysis exist and what are the key risks?
- What action is being taken following the gap analysis? Have key milestones have been identified, what are they?
- Is implementation of the plan on track?
- When will the IFRS format of accounts be discussed with the auditors?



What questions should I be asking?

• Impact

- What decisions over IFRS recognition and measurement will have the greatest impact?
- How will financial plans change as a result of IFRS?
- How will the impact be communicated to Members and officers?

• Resources

- How will staff be trained to meet the needs of transition and ongoing accounting?
- If external resources are needed, have these been procured?
- What impact does this have on current budgets and projections?



What questions should I ask be asking?

• Systems

- What new information is needed to report under IFRS?
- Is this information available from the current systems?

• Governance

- Is the role of the members, officers and the audit committee clear in evaluating IFRS options and approving any exemptions?
- Does the audit committee have sufficient expertise to review and approve the financial statements?



What is the AC doing?

• Briefing papers

• Local Government Workshops for Officers, February 2011

• IFRS surveys and reports April and October 2010

• Local feedback on:

- Management arrangements
- Proposed accounting treatments



Any Questions



Heather Green



AUDIT COMMITTEE		Part One (D) Agenda Item 8
Date of Meeting: 14th December, 2010		
Reporting Officer: Borough Treasurer		
<p>Title: Audit Commission – Annual Audit Letter for the year 2009-2010</p> <p>Summary and Conclusions:</p> <p>The Annual Audit Letter is produced by the Audit Commission following the completion of their audit for each financial year.</p> <p>The Council's External Auditors will attend the meeting to present the report to Members.</p> <p>Recommendations:</p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> 1. Receive the report; 2. Raise any questions or concerns with the Appointed Auditor; and 3. Consider the recommendations contained in the report. 		

Report

The Audit Commission Annual Audit Letter for 2009-2010 is attached as **Appendix 1**.

(i) Legal Implications

Not Applicable.

(ii) Financial Implications

Not Applicable.

(iii) Health and Safety Implications

Not Applicable.

(iv) Key Priorities or Corporate Aims

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil

Annual Audit Letter

Barrow-in-Furness Borough 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.

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Key messages

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

- **the audit of your financial statements (pages 4 to 5); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 6 to 10).**

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

Audit opinion and financial statements

1 I issued my audit report including an unqualified opinion on the financial statements on 30 September 2010.

2 The Council prepared, approved and submitted the financial statements for audit on time. I received a full set of financial statements and supporting working papers under the timetable agreed with officers.

Value for money

3 I identified significant weaknesses in the Council's arrangements for procurement, tendering and contracting. These weaknesses suggest poor governance arrangements for tendering and contracting, and expose the Council to potentially significant risks, including the risk the Council may not be able to show that its tendering and procurement processes are compliant with all laws and regulations.

4 I issued a qualified Value for Money conclusion on 30 September 2010, stating that, in all significant respects, Barrow-in-Furness Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010 except for promoting and demonstrating the principles and values of good governance.

Current and future challenges

5 In common with all public organisations, and particularly Local Government, the Council faces significant financial challenges in 2010/11 and over the following four years.

6 The economic downturn has put significant pressures on public spending. The abolition of the North-West Development Agency (NWDA) may reduce funding for regeneration schemes in Barrow. The recent Spending Review announced funding cuts for Local Government that will place the Council under unprecedented financial pressures.

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.

Overall conclusion from the audit

7 I issued an audit report including an unqualified opinion on the financial statements on 30 September 2010.

8 The Council prepared, approved and submitted the financial statements for audit on time. I received a full set of financial statements and supporting working papers under the timetable agreed with officers

9 My Annual Governance Report, presented to the Audit Committee on 29 September 2010, identified the Council could improve the explanatory foreword to the accounts to ensure that this covers all the recommended areas. The Statement of Recommended Practice (SORP) provides guidance on the content of the explanatory foreword. The SORP recommends the explanatory foreword fulfils a similar purpose to the directors' report in company accounts and should provide a guide to the most significant aspects of financial performance and year-end position.

10 I also recommended that the accounts should disclose the specific purposes of the earmarked reserves and what the Council intends to fund from the reserves. The SORP provides guidance on the content of the notes to the accounts. This guidance states that Councils earmark reserves for specific policy purposes and for each reserve set up, the accounts should disclose the purpose and use of the reserve.

Annual Governance Statement

11 The purpose of the Council's Annual Governance Statement (AGS) is to provide an accurate representation of the Council's governance arrangements in place during the year and to highlight those areas where improvement is required.

12 The AGS is a key corporate document. The most senior officer and the most senior member have joint responsibility as signatories for its accuracy and completeness. As a corporate document, all Council Members and senior officers should own the Annual Governance Statement. The CIPFA Guidance for Practitioners includes detailed guidance and recommended practice to prepare the AGS.

13 My review of the Council's AGS for 2009/10 identified weaknesses, including:

- no clear evidence gathering process to support the assurances made in the AGS;
- no formal review and consideration of the AGS by the Executive or Audit Committee before approval;
- the AGS does not include any of the significant weaknesses identified by Internal Audit during the year; and
- the AGS does not include a prioritised action plan setting out the actions required to address significant weaknesses.

Significant weaknesses in internal control

14 I did not identify any significant weaknesses in the design or operation of internal controls that might result in a material error in your financial statements.

15 I identified significant weaknesses in the Council's arrangements for procurement, tendering and contracting. My findings in respect of procurement, tendering and contracting are set out in the Value for Money section of this report.

Implementation of International Financial Reporting Standards (IFRS)

16 The Council will prepare its 2010/11 accounts under new International Financial Reporting Standards (IFRS). Early preparations for this change began in 2009 however staffing pressures during 2010 have meant the Council is not as well prepared as other similar Councils.

17 The Council needs to speed up preparations for IFRS. In particular, the Council should restate the financial position at 1 April 2009 and restate the 2009/10 accounts as soon as possible. A project plan and progress reports should also be reported to the Audit Committee.

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

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

19 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 to inform my 2009/10 conclusion.

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

VFM conclusion

21 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 audited body.

22 I identified significant weaknesses in the Council's arrangements for procurement, tendering and contracting

23 I issued a qualified Value for Money conclusion on 30 September 2010, stating that, in all significant respects, Barrow-in-Furness Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010 except for promoting and demonstrating the principles and values of good governance.

24 Table 1 below provides a summary of my findings.

Table 1: **Value for Money Assessment**

Value for Money Criteria	Adequate arrangements?
Managing finances	
Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	Yes
Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	Yes
Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	Yes
Governing the business	
Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	Yes
Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	Yes
Does the organisation promote and demonstrate the principles and values of good governance?	No
Does the organisation manage its risks and maintain a sound system of internal control?	Yes
Managing resources	
Is the organisation making effective use of natural resources?	Yes

Managing Finances

25 The Council has financial arrangements in place to support delivery of strategic objectives. Budgetary control is strong and contributes to a good financial control environment at the Council. The Council has a general fund balance of £2.3 million at 31 March 2010 and this is forecast to reduce to £2.1 million at the end of 2010/11.

26 The current financial strategy considers the impact of the economic downturn and this is now being updated to reflect the implications of the Spending Review. The Council has achieved its efficiency target in each of the last three years.

Governing the Business

27 Recent procurement of new contracts for grounds maintenance, waste collection and street cleansing are expected to realise savings in excess of £1.2 million in 2010/11. However I have identified that significant weaknesses exist in your procurement, tendering and contracting arrangements as set out in the next section of this letter.

28 The Council's corporate aims and priorities are based on a detailed understanding of the needs of residents collected through statutory surveys, additional tracker surveys and focus groups. It is willing and able to respond to the needs of local people, and acts on resident feedback to deliver improvements.

29 The Council has adequate arrangements in place to oversee data quality and has procedures in place to collect and analyse data from services and activities. Action plans are used for performance management and under-performance results in officers being invited to attend scrutiny committees to provide explanations. This focus on under performance is helping to drive up service performance in priority areas.

30 An ethical framework is in place to promote good governance but the Council must improve governance of tendering and contracting to ensure the Council's arrangements meet relevant contract laws and regulations. A counter fraud strategy and whistle blowing policy are accessible on the Council's website. The Council has an audit committee although this needs to provide more challenge. The Council monitors risks and a corporate risk register is in place.

Managing Resources

31 The Council has a well established approach for reducing the environmental impact of its activities. It is delivering significant savings through energy efficiency measures in its buildings.

32 The Council is working with the carbon trust to improve energy efficiency, for example, by installing power saving technology into buildings it leases out. It has also been successful in obtaining grants from the Low Carbon Buildings Fund for installing solar thermal panels on Park Leisure Centre. It is working with other councils to develop a framework for construction contracts to ensure environmental impacts are considered.

Tendering and contracting

33 The Council has been successful in securing efficiency savings from large procurement exercises, however significant weaknesses exist in your procurement, tendering and contracting arrangements. These weaknesses suggest poor governance arrangements for tendering and contracting, and expose the Council to potentially significant risks.

34 I have undertaken significant extra work during 2009/10 to consider weaknesses and concerns about your procurement, tendering and contracting arrangements. These weaknesses have been identified over some years but the Council has not yet taken enough action to address these weaknesses.

35 The Council's Contract Standing Orders (SOs) are out-of-date and do not reflect all current procurement practices in the Council, such as e-procurement. As a result the Council is not always following SOs, although these are now being revised and updated. The Council also does not have an up-to-date procurement policy, and as a result Council policy may not reflect good practice and new requirements, such as changes to EU procurement regulations. There is a risk that the Council cannot show that all contracts have been tendered and awarded in accordance with Council policy and procedure. As a result the Council may not comply with contract laws and regulations.

36 Our audit work identified that tender exercises have taken place and work is underway, but there is no contract recorded in the contracts register. Sometimes this is because legal services have not been provided with a copy of the contract and in other cases, work has been completed before the contract has been agreed and signed. Sometimes work has been completed without a contract. The absence of a formal contract before work begins increases the risk that work is not completed as required by the Council.

37 The Council only requires formal tendering for contracts with a value over £100,000. This threshold is high in comparison to districts of a similar size and many larger Councils have tendering thresholds that are much lower than this. There is risk the Council cannot show that it is obtaining value for money where contracts are awarded below £100,000 without being tendered.

38 Internal Audit have undertaken work on both the Council's procurement and contracting processes, and reviews of specific contracts. The Internal Audit reports related to this work identify common and recurrent issues, including the following.

- Tenders are not always opened in accordance with Standing Orders. There are examples of incomplete signatures on documentation at tender opening and missing tender documentation.
- Examples of work being awarded under standard 'terms and conditions' of business with the Council, but without a formal contract in place; increasing the risk of dispute between the Council and Contractor.

- Tenders being invited from contractors that are not on the approved list.
- Contract variation orders are not always complete or properly authorised and there are examples of inappropriate authorisation of contract invoices for payment.
- Lack of supporting documentation to support the appointment of a consultant.

Recommendation

- R1** The Council must take urgent action to address the weaknesses identified in tendering and contracting arrangements.
- Keep Standing Financial Regulations and Contract Standing Orders up-to-date with all contract law and regulations.
 - Ensure that all procurement practices in the Council are compliant with these regulations.
 - Keep procurement policy up to date and apply it consistently across the Council.
 - Put contracts in place for all tender exercises before work or services commence.
 - Keep the contracts register complete and accurate.
 - Review tendering thresholds to ensure that the Council is satisfied that the thresholds are appropriate.
 - Complete all tender exercises in accordance with standing orders.

Approach to local value for money work from 2010/11

39 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.

40 My work will be based on a reduced number reporting criteria, specified by the Commission, concentrating on ensuring that the Council has proper arrangements in place to:

- secure financial resilience; and
- challenge how it secures economy, efficiency and effectiveness

41 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.

National Fraud Initiative (NFI)

42 The National Fraud Initiative (NFI) is a computerised data matching exercise designed to identify overpayments to suppliers and benefit claimants, and to detect fraud perpetrated on public bodies. The referrals from the current exercise were released to participating bodies in February 2009.

43 The Council has made effective use of the NFI database to identify and review data matches. In particular the Council has identified potential savings in Housing Benefits of £42,000 and potential savings in Housing of £97,000.

Current and future challenges

Current and future challenges

44 In common with all public organisations, and particularly Local Government, the Council faces significant financial challenges in 2010/11 and over the next few years. The economic downturn has put pressures on public spending and the recent Spending Review announced funding cuts for Local Government of some 7 per cent a year over the period 2011 to 2015.

45 The funding cuts in Local Government will place the Council under unprecedented financial pressures. The Council has successfully secured efficiency savings in excess of £1.2 million through procurement of grounds maintenance, waste collection and street cleansing in 2009/10 and 2010/11 but the scale of savings now required since the Spending Review is significant and challenging.

46 Funding cuts mean the Council will face some tough decisions about how it pursues its vision to improve the economic and social future of the borough. Identifying savings and efficiencies may require fundamental changes to how services are delivered and options such as shared services will need to be explored.

47 The Spending Review included significant cuts to Capital funding and the abolition of the North-West Development Agency (NWDA) may also reduce funding for regeneration schemes in Barrow. The Council will need to seek alternative funding arrangements and partnerships if it is to continue the regeneration and investment vision for Barrow.

Closing remarks

48 I have discussed and agreed this letter with the Chief Executive and the Borough Treasurer. I will present this letter at the Audit Committee on 14 December 2010 and will provide copies to all Members.

49 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
Audit Opinion Plan	March 2010
Annual Governance Report	September 2010
Opinion on the Financial Statements	September 2010
Value for Money Conclusion	September 2010
Assurance Statement on the Whole of Government Accounts return	October 2010
Annual Audit Letter	November 2010

The Audit Commission

50 The Secretary of State for Communities and Local Government has announced the proposed abolition of the Audit Commission and the transfer of its audit practice to the private sector. This will be from 2012/13 at the earliest and is subject to legislation.

51 Our priority is to ensure our professional standards and commitment will be maintained. You will see no deterioration in customer service and audit quality.

52 We are working to develop an independent audit practice to continue beyond the abolition of the Audit Commission, including the option of a potential mutualisation or buy-out. Whatever model we adopt, we will remain committed to providing excellent service to our existing clients.

Concluding Comments

53 The Council has taken a positive and helpful approach to our audit. I wish to thank the Council staff for their support and cooperation during the audit.

Gina Martlew
Appointed Auditor

November 2010

Appendix 1 Audit fees for 2009/10

	Actual	Original planned	Variance
Financial statements and annual governance statement	£68,071	£68,071	£0
Value for money	£44,509	£44,509	£0
Tendering and Contracting	£23,000	£0	£23,000
Total audit fees	£135,580	£112,580	£23,000

I have undertaken significant extra work during the 2009/10 audit to consider weaknesses and concerns about your tendering and contracting arrangements. My planned audit fee did not include this work and therefore I need to charge additional fee of 23,000.

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

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.

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- any third party.



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AUDIT COMMITTEE		Part One (D) Agenda Item 9
Date of Meeting: 14th December, 2010		
Reporting Officer: Policy Review Officer		
<p>Title: Performance Management</p> <p>Summary and Conclusions:</p> <p>Provide Members with the Quarter 2 progress report on the annual objectives and Priority indicators.</p> <p>Recommendation:</p> <p>Consider the information and decide whether further action is required.</p>		

Report

Actions to support the Key Priorities

Fifteen priority actions were due to be completed by the end of Q2 2010/11 of which, twelve have been completed. One is subject to delays and is expected to be completed in Q1 2011. Two have not completed because of funding issues.

KP1: Safer, cleaner greener

- The Council changed its waste collection contractor in April and we anticipated an increase in complaints about the waste collection service as changes in working practices were introduced. An action was to reduce these complaints to the 2009/10 baseline level by the end of Q1. This has been achieved and we are currently receiving less than twenty complaints per week.
- There was an action to expand the capacity of recycling bring sites and increase the number of schools that are recycling waste. This has been achieved and we are now recycling from most of the schools in the Borough. There was an action to expand re cycling to low rise flats in the Borough and at the end of Q1 an additional 1000 flats were receiving kerbside collection of recyclates.
- There was an action to implement grass cutting for Bigger Bank and this has been implemented.

KP 2: Meeting the housing needs of the Borough

- The development of the frail and elderly scheme in Holker Street has been completed.

- The development of additional houses on Greengate Street has been completed.
- The action to progress demolition of 126 properties in the North Central renewal area has started
- The action to undertake external improvements to properties in sub area D has commenced.

KP 3: Providing easier access to services

- No outstanding actions

KP 4: Support economic regeneration

- The refurbishment of 104 has been delayed and is anticipated to be completed in Q1 2011.
- The refurbishment of the Mall is complete.
- The refurbishment of Furness House is complete
- The action to commence Phase 2 of Waterside House development has been cancelled although some work will be carried to improve access.
- The action to secure headline funding for Waterfront Barrow has not been completed. The NWDA has stated that they will not be funding this project and an alternative source of funding is being sourced.

KP 5: Improve the effectiveness and efficiency of our Council

- Eight members of staff who drive a significant number of miles to carry out their jobs have passed a smart driving course to help reduce CO2 emissions.

KP6: Expand facilities and activities for young people

- The Lakes alive spectacular has taken place although the estimated attendance was 6,000 against a target of 8,000.
- The action to deliver the Zircus plus event has been completed.

The action plan is attached at **Appendix 2**.

The risks associated with delivering the Key Priorities are attached at **Appendix 3** but these are subject to review by Management Board on 10th November.

Performance Indicators

There are a number of national indicators and local indicators where it is appropriate to report data on a quarterly basis. We have demonstrated improved performance against these indicators:

- Collection of Council Tax and National Non Domestic Tax has both improved.
- The average number of day's sickness absence per member of staff is higher than at the same stage last year.

- There has been a decrease in the number of violent crimes.
- There has been an increase in the number of acquisitive crimes including households burglaries and robberies.
- There has been a marginal increase in the number incidences of racial violence and no incidences of racial damage.
- There was a marginal decline in the standard of cleanliness due to graffiti but this is base on a small number of incidences.

Local indicator for Q2 2010/11

Indicator	Description	Q2 2009/10	Q2 2010/11	Change
9	Percentage of Council tax collected	56.66	56.89	↑
10	Percentage of NNDR collected	59.93	61.57	↑
12	Average number of days sick per member of staff	3.16	4.46	↓
126	Number of burglaries per 1000 households	2.14	2.35	↓
127a	Violent offences per 1000 population	9.91	8.66	↑
127b	Robberies per 1000 population	0.01	0.13	↓
128	Vehicle crimes per 1000 population	1.56	1.83	↓
218a	Percentage of abandoned vehicles removed within 24 hours	100	66.6	↓
	Number of incidences of racial violence	16	17	↓
	Number of incidences of racial Damage	1	0	↑
	Number of hate crimes	23	23	→

National Indicator for Q2

Indicator	Description	Q2 2009/10	Q2 2010/11	Change
NI 191	Residual waste per household	289	228	↑
N1192	% of waste recycled, composted	36.2	39.0	↑
NI 195a	% of streets that don't meet the cleanliness standard: litter	1	1	→
NI 195b	% of streets that don't meet the cleanliness standard: detritus	11	2	↑
NI 195c	% of streets that don't meet the cleanliness standard: graffiti	0	1	↓
NI 195d	% of streets that don't meet the cleanliness standard: fly posting	0	0	→

Barrow Borough Council's Key Priorities 2010/11 KP1: Create a safer, cleaner, greener Borough and reduce the gaps between the priority wards and the average.

Link to Sustainable Community Strategy

Reduce fear of crime

Reduce anti-social behaviour

Corporate aims supported by key priority

- 1 Effective community Leadership
- 3 Creating an enhanced quality of life for local residents
- 4 Developing a safe, confident and socially inclusive community
- 5 Delivering high quality accessible services

The Director of Regeneration has overall responsibility for this priority

Annual objectives		Actions required	SMART targets	Responsible Officer
1	Continue to implement the Waste Minimisation Strategy	Implement new waste collection contract	Manage number of complaints reduced to level of 2009/10 baseline by end of Q1	Chief Environmental Health Officer
		Implement recycling improvement plan	Expand recycling at schools and bring site by Q1. Expand recycling to appropriate low-rise properties by Q1. Achieve recycling level of 40% in 2010/11	Chief Environmental Health Officer
2	Continue to improve the amenity of the Borough	Ensure smooth assimilation of new grounds maintenance and street cleansing contract		Community Services Manager
		Implement additional grass cutting requirement for Bigger bank	First cut to be complete by end of April 2010	Community Services Manager
3	Implement empty shops initiative	Provide cosmetic treatment for vacated Town Centre units	Ensure all appropriate vacant units are treated within eight weeks of becoming vacant	Town Centre Manager
		Deliver Small trader Shop Front Grant Scheme	Process all grants within 14 days of application being validated Achieve >50% take up of grants by end of Q4	Town Centre Manager

Barrow Borough Council's Key Priorities 2010/11: KP 2: Meet the housing needs of the Borough and make decent housing more accessible

Community Plan aims supported by Key Priority

Improve quality and choice of housing

1

Ensure sustainable housing market

3

Renewing the housing market

5

Corporate aims supported by key priority

Effective community leadership

Creating an enhanced quality of life

Delivering high quality accessible services

The Chief Executive has overall responsibility for this priority

Annual objectives		Actions required	Smart Target	Responsible officer
1	Ensure a supply of specialist accommodation and tenancy support services to vulnerable people	Progress frail elderly scheme on the Holker St site	Complete construction by end of Q2	Housing Manager
		Increase availability of affordable housing	Complete construction of six houses on Greengate St by the end of Q2	
			Complete construction of six houses on Albert St by the end of Q4	
			Bid for funding for site on Bradford Street for family housing	
2	Target available resources appropriately to tackle non-decent housing and create sustainable communities	Continue progress towards achieving PSA7 Decent Homes target of 100%	Identify unfit properties and implement remedial action. Maintain current level of >99% in 2010/11	Housing Manager
		Target Private Sector financial resource towards Disabled Facility Grants and thermal efficiency	Achieve LAA targets fuel poverty.	Chief Environmental Health Officer
3	Introduction of a choice based allocation system called Cumbria Choice.	Working with other LA's in Cumbria and Housing Associations to create a single Housing Register and allocation policy for Cumbria.	Implementation Q4	Housing Manager
4	Progress Housing market Renewal programme	Continue property acquisition in sub area D	Complete CPO by Q3	Housing Market Renewal Manager
		Progress demolition of properties in sub area D	Start demolition by Q1	
		Undertake group repairs in Sutherland Street	Undertake external improvements including roofing, doors windows and drain water goods to 42 properties in sub area D by Q2	

Barrow Borough Council's Key Priorities 2010/11: KP 3 Provide easier access to our services

Link to Sustainable Community Strategy

- 1 [Effective community leadership](#)
- 2 [Delivering quality accessible services](#)

Community plans supported by key priority

This key priority supports the Community aims generally

The Director of Corporate Services will have overall responsibility for this priority

Annual objectives			Actions required	Smart targets	Responsible officer
1	Improve the Council's website		Review the number of services available on-line and improve the effectiveness of electronic transactions	Increase the percentage of transaction carried out electronically	Director of Corporate Services
			Reduce the number of avoidable contacts	Achieve level of <30% avoidable contacts in 2010/11	IT Manager
2	Work towards "Achieving Level" of the Equalities Standard for Local Government		Implement action plan agreed by Corporate Equalities Group	Achieve targets agreed in action plan by Q4	Director of Corporate Services

Barrow Borough Council's Key Priorities 201011: KP4 Support Economic Regeneration

Link to Sustainable Community Strategy

Encourage inward investment

1

Creating new gateways and connections

2

Promote sustainable regeneration of the borough

3

Corporate aims supported by key priority

Effective Community

Leadership

Investing in our economic

future

Creating an enhanced quality of

life for local residents

The Chief Executive will have overall responsibility for this priority

Annual objectives		Actions required	Key measures	Responsible officer
1	Progress implementation of Urban Design Framework	Progress town centre link road	Complete by end April 2011	Director of Regeneration and Community Services
		Progress refurbishment of 104 Abbey Road	Complete by Q2	Delayed and will now be completed in Q1 2011
		Progress refurbishment of the Mall	Complete by Q1	
		Implement Public Realm improvement programme for Furness House	Commence work by Q2	
		Improve town centre amenity	Complete phases 2&3 of Dalton road Public Realm improvement programme by Q3	
		Implement refurbishment programme for the Ginnell	Commence work in Q1 2011/12	
2	Progress implementation of Waterfront Barrow	Develop Phase 2 of Waterside House project	Commence work by Q2. The refurbishment of Waterside house has been cancelled although some work will be carried out to improve access.	Director of Regeneration and Community Services
		Secure funding for overall scheme	Achieve headline funding approval from NWDA by Q1	
		Prepare for CPO in Q1 2011	Area Action Plan is "found sound" by Q1	
			Secure funding by Q3	
			Prepare draft development agreement by Q3	
			Obtain planning consent by Q1	

Barrow Borough Council's Key Priorities 2010/11: KP5 : Improve the effectiveness and efficiency of your Council

Link to Sustainable Community Strategy

Effective Community Leadership

- 1
- 2 Investing in our economic future
- 3 Delivering high quality accessible services

Community plans supported by key priority

This key priority supports the Community aims generally

The Director of Corporate Services has overall responsibility for this priority

Annual objectives		Actions required	Smart Target	Responsible officer
1	Deliver sustainable operations	Implementing the Cumbrian Climate Change Action Plan	Reducing Cumbria's CO2 emissions by 10% based on the 2007 baseline figure by Q4. Reduce Barrow's building CO2 consumption by 15% compared to 2008 as reported through NI 186 by Q4. Enroll 8 high mileage staff on smart driving course. Q1.	Technical Services Manager
		Revise procurement policy to include sustainable procurement	Draft to Executive Committee by Q3	Technical Services Manager
2	Delivering cashable efficiencies	Consolidate service contracts and implement central monitoring of contract costs	Deliver £1M of cashable savings by Q4	Borough Treasurer
3	Improve administration of the Benefits Service	Deliver the benefits improvement plan	Achieve top quartile service performance for processing of claims by Q4	Borough Treasurer

Barrow Borough Council's Key Priorities 2010/11: KP6: Expand facilities and activities for young people

Link to Sustainable Community Strategy

Promote benefits of regular exercise

Corporate aims supported by key priority

Effective community leadership

Help young people to enjoy and achieve

- 1 Creating an enhanced quality of
- 3 life
- 4 Developing a safe, confident
and socially inclusive
- 5 community
Delivering high quality
accessible services

The Director of Regeneration will have overall responsibility for this priority

Annual objectives		Actions required	SMART targets	Responsible officer
1	Expand recreational facilities for young people	Continue implementation of the recommendations of the review of fixed play provision	Provide Multi Use Games Area in Dalton	Community Services Manager
		Continue to promote the youth gym	Increase usage of the youth gym by 10% in 2010/11	Community Services Manager
2	Provide additional activities to encourage health and fitness for youths	Youths Sports Worker to increase participation in sports and physical activities	Increase participation by 10% in 2010/11	Community Services Manager
3	Improve all weather sports facilities	Deliver new all weather 5-aside facility	Construction complete by Q3 Open for business by Q4	Community Services Manager
4	Deliver Cultural Olympiad	Work with Lakes Alive and Cumbria 2012 to hold 2-day spectacular in Barrow in 2010	Attendance at event to exceed 8,000 The attendance at this years event was 6,000	Community Services Manager
		Engage Barrow Carnival and Zircus Plus	Deliver event in Q1	Town Centre Manager

Annual objectives		Actions required	Likelihood
1	Continue to implement the Waste Minimisation Strategy	Implement new waste collection contract	3
2		Implement recycling improvement plan	1
3		Ensure smooth assimilation of new grounds maintenance and street cleansing contract	3
4		Implement additional grass cutting requirement for Bigger bank	1
5	Implement empty shops initiative	Provide cosmetic treatment for vacated Town Centre units	3
6		Deliver Small trader Shop Front Grant Scheme	2
7	Ensure a supply of specialist accommodation and tenancy support services to vulnerable people	Progress frail elderly scheme on the Holker St site	2
8		Increase availability of affordable housing	2
9	Target available resources appropriately to tackle non-decent housing and create sustainable communities	Continue progress towards achieving PSA7 Decent Homes target of 100%	1
10		Target Private Sector financial resource towards Disabled Facility Grants and thermal efficiency	2
11	Introduction of a choice based allocation system called Cumbria Choice.	Working with other LA's in Cumbria and Housing Associations to create a single Housing Register and allocation policy for Cumbria.	3
12	Progress Housing market Renewal programme	Continue property acquisition in sub area D	2
13		Progress demolition of properties in sub area D	
14		Undertake group repairs in Sutherland Street	
15	Improve the Council's website	Review the number of services available on-line and improve the effectiveness of electronic transactions	3
16		Reduce the number of avoidable contacts	3

17	Work towards "Achieving Level" of the Equalities Standard for Local Government	Implement action plan agreed by Corporate Equalities Group	3
18	Progress implementation of Urban Design Framework	Progress town centre link road	2
19		Progress refurbishment of 104 Abbey Road	2
20		Progress refurbishment of the Mall	2
21		Implement Public Realm improvement programme for Furness House	2
22		Improve town centre amenity	2
23		Implement refurbishment programme for the Ginnell	2
24	Progress implementation of Waterfront Barrow	Develop Phase 2 of Waterside House project	4
25		Secure funding for overall scheme	4
26		Prepare for CPO in Q1 2011	4
27	Deliver sustainable operations	Implementing the Cumbrian Climate Change Action Plan	4
28		Revise procurement policy to include sustainable procurement	1
29	Delivering cashable efficiencies	Consolidate service contracts and implement central monitoring of contract costs	2
30	Improve administration of the Benefits Service	Deliver the benefits improvement plan	1
31	Expand recreational facilities for young people	Continue implementation of the recommendations of the review of fixed play provision	1
32	Provide additional activities to encourage health and fitness for youths	Continue to promote the youth gym	1
33	Improve all weather sports facilities	Youths Sports Worker to increase participation in sports and physical activities	2
34	Deliver Cultural Olympiad	Deliver new all weather 5-aside facility	3
35		Work with Lakes Alive and Cumbria 2012 to hold 2-day spectacular in Barrow in 2010	2
36		Engage Barrow Carnival and Zircus Plus	1

Impact	score	Mitigating action
5	15	Provision for this covered in corporate risk 6
3	3	Most schools and residents in flats have expressed an interest. Capital funding is available for containers.
3	9	The streetcare team is in place to manage this process
1	1	Arrangement are included in the Grounds Maintenance contract
2	6	Funding is available to undertake the work. Some shops may become occupied immediately after completion which would be funding wasted but is positive for the town
4	8	This will be managed by the Town Centre Manager
5	10	The building work is nearing completion and the allocation process has been completed
5	10	Additional properties on Greengate St is almost complete. Work on Albert street is underway and will be completed in the current year
5	5	Non decent housing is < 1% of the stock
4	8	Arrangements are in place for this to be achieved but there is a risk of low take up
3	9	A partnership agreement with CHP has been signed and a policy is in place to support CBL. A project officer has been identified
5	10	This is covered under Corporate risk 13
3	9	A Channel migration team has been established and the on-line facilities are being reviewed
3	9	As above

3	9	This is covered under Corporate risk 12
4	8	Work is funded and is being progressed
2	4	Work is funded and is being progressed
2	4	Work is funded and is being progressed
2	4	Work is funded and is being progressed
4	8	Work is funded and is being progressed
3	6	Work is funded and is being progressed
4	16	This is covered under Corporate risk 3
4	16	
4	16	
3	12	The resource requirements are not known and this may not be achievable
3	3	The policy has been revised and is awaiting approval
5	10	This is in place and working effectively
4	4	Covered under corporate risk 27
4	4	This is funded and work is on-going
3	3	Promotion continues and figures are increasing
3	6	Promotion continues and figures are increasing
3	9	Arrangements are progressing but the current economic situation may impact
3	6	Arrangements are in place providing the funding isn't withdrawn
3	3	Arrangements are in place providing the funding isn't withdrawn

		<u>Part One</u>
AUDIT COMMITTEE		(D) Agenda Item 10
Date of Meeting:	14th December, 2010	
Reporting Officer:	Policy Review Officer	
<p>Title: Risk Management</p> <p>Summary and Conclusions:</p> <p>Provide Members with the updated risk management report.</p> <p>Recommendation:</p> <p>Consider the information and decide whether further action is required.</p>		

Report

The Council's risk register is reviewed on a regular basis by Management Board. At the last meeting in November Management Board agreed to increase the likelihood for Risk 6: Council fails to achieve recycling targets because they current level of recycling is 39% and we are anticipating a decline in green waste during the winter months.

The most recent version of the risk register; November 2010 is attached as **Appendix 4.**

Background Papers

Nil

Risk	Risk description	Likelihood	Impact	Score	Impact	Mitigating actions	Contingency actions	Responsible Officer
1	Number of invalidity benefit claimants remains above the national average	5	5	25	Significant strain on the local economy, higher levels of poverty and ill-health	The LSP through Furness Enterprise have developed a programme to reduce benefit claimants and remove the barriers to employment for people with limiting conditions		Director of Regeneration and Community Services
2	There is a significant increase in youth unemployment	5	4	20	Significant strain on the local economy, higher levels of poverty and ill-health	Monitor youth unemployment through LSP	Work with Furness Enterprise to develop a plan to manage youth unemployment	Director of Regeneration and Community Services
3	Failure to deliver Waterfront Barrow regeneration programme	4	4	16	This will damage the profile of barrow as a place to live and work. There will be a loss of local confidence and ineffective use of private sector resources	Continue to assemble sites and source appropriate funding	There is an option to delay the project until alternative funding becomes available	Director of Regeneration and Community Services
4	Reduction in government revenue and failure to deliver cost improvements and savings impact on funding for services	4	4	16	Unplanned cuts in service delivery	Explore alternative ways of delivering services including outsourcing and shared services	Undertake a review of service priorities	Chief Executive
5	Impact of pay review	4	4	16	Potential staff unrest. Increase in staff costs. Failure to agree the outcomes of the job evaluation process.	Suitable pay protection arrangements are in place. The Council has consulted fully with trade unions throughout the process.	Undertake equal pay audit to ensure we have a non-discriminatory pay structure	Director of Corporate Services
6	Council fails to achieve recycling targets	4	5	20	There will be a shortfall in the budget because the Council has assumed revenue from 40% recycling The council will fail to meet LAA targets leading to an elevated level of waste to landfill that could incur LATs penalties	An expanded recycling service has been introduced and the level of recycling is being monitored	External funding is available for additional promotion to help maintain the improved recycling levels	Director of Regeneration and Community Services

7	The economy remains depressed	3	5	15	This will has a significant impact on the Council's revenue streams and may result in increased Council Tax and a reduction in services	Funding is reviewed in the Council's medium term budget planning process Barrow BC addressing issue of Town Centre via Golden Hello grants, promotional activity. Amey have just commenced on £4.2 million repaving and enhancement scheme for Town Centre - Council bidding for more funds to extend the scheme.	The Council monitors the budget on a regular basis and can review service delivery if required	Management team
8	Failure of external partner, service providers or contractors	3	5	15	This is likely to result in the suspension of some service while alternative service providers are identified	The Council monitors the position of service providers through regular client meetings and will undertake regular credit checks on our contractors	The Council retains the intellectual property and assets that will support continuity of services	Management team
9	The Council incurs significant uninsured losses	3	4	12	The Council believes that the risk of incurring significant uninsured losses in minimal			Borough Treasurer
10	Level of sickness worsens	4	3	12	The Council has put a number of measures in place to maintain the current low levels. The impact of elevated levels would only be moderate			Director of Corporate Services
11	The Council has a poor relationship with the County Council	4	3	12	The Council is working towards strengthening its relationship with the County Council through LAA and CAA			Chief Executive
12	The council fails to implement action plan agreed by Corporate Equalities Group	4	3	12	We may not be compliant with legal requirements	We are working with CIEP to deliver the action plan and have identified lead officers	Funding is currently available for external support	Director of Regeneration and Community Services
13	Failure to progress clearance of HMR area	2	5	10	There may be financial claw back by the NWDA. The future of town centre housing will become uncertain	The Council could sell the properties that it has acquired or transfer them to private sector landlords		
14	Job losses at BAE	2	5	10	The likelihood of significant job losses has reduced			Director of Regeneration and Community Services

15	Not having annual governance arrangements in place	2	5	10	The Council continues to strengthen its governance arrangements			Director of Corporate Services
16	Failure to maintain H&S arrangements	2	5	10	The establishment of the Technical Services Team has strengthened the Council's H&S arrangements			Director of Corporate Services
17	Unable to recruit specialist staff	3	3	9	The Council has a diverse skill set and will be able to attract additional skills if required			Director of Corporate Services
18	Reduction in Working neighbourhood funding and the implications for the Neighbourhood Management Team. Current Neighbourhood Element funding finishes in March 2010 and as a result there will be no external funding for the NMT	4	4	16	The NMT has delivered significant improvements to the amenity of these deprived wards and provided diversionary activities which have contributed to a reduction in anti-social behaviour and environmental crime. Loss of the NMT will impact on the sustainability of these improvements	The Council will explore alternative funding sources	The Council will review delivery of the service	Director of Regeneration and Community Services
19	Audit or Scrutiny functions are ineffective	2	4	8	Both functions are operating effectively and have the capability and capacity to continue			Director of Corporate Services
20	Capital programme not delivered	2	4	8	The Council has a good track record in delivering its capital programme			Director of Regeneration and Community Services
21	The Council's treasury management is ineffective	2	3	6	The Council demonstrates effective treasury management			Borough Treasurer
22	The Council's asset management is ineffective	2	3	6	The Council demonstrates effective asset management			Director of Corporate Services
23	The Council's resource management is ineffective	2	3	6	The Council demonstrates effective resource management			Director of Corporate Services
24	The Council's performance management is ineffective	2	3	6	The Council demonstrates effective performance management			Director of Corporate Services

25	Barrow specific LAA targets not met	2	3	6	Deleted	Risk deleted because all indicators have been abolished		
26	Hung Council results in lack of direction	1	4	4	The Council has been under No overall Control for a number of years and continues to operate effectively			Chief executive
27	Failure to implement Housing Benefit improvement plan	1	4	4	The implementation of the plan is monitored and reported on a regular basis			Borough Treasurer