

Annual Audit and Inspection Letter

March 2008



# Annual Audit and Inspection Letter

Test Valley Borough Council

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Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **Status of our reports**

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

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## Key messages

- 1 The main messages for the Council included in this report are as follows.
  - The Council is continuing to make improvements to its services.
  - However, improvement across the Audit Commission's basket of performance indicators in 2006/07 was not as wide-ranging as the average for district councils and the proportion of indicators in the best 25 per cent of councils was also slightly below average.
  - The Council has made good progress against its plans for priority services and achieved some significant improvements that local people will notice.
  - The Council has invested in developments relating to equalities and diversity and is starting to take positive action that will help to ensure all local people have fair access to employment, services and information.
  - The Council is now exceeding the national target for recycling waste. However, the overall level of recorded crime is rising, reflecting a trend across Hampshire.
  - As reported in September, for the financial year 2006/07 we issued:
    - an unqualified opinion on the Council's financial statements; and
    - an unqualified conclusion on its arrangements for ensuring value for money in the use of resources.
  - The Audit Commission has assessed that the Council's arrangements for the overall use of resources are again 'Performing Well'.

## Action needed by the Council

- 2 The Council needs to focus on:
  - completing implementation of the equalities scheme action plan to achieve level two of the local government equality scheme and ensuring the councillor-championing role on equalities and diversity is carried out pro-actively;
  - developing more effective consultation with hard to reach groups and vulnerable people;
  - completing planned work to integrate service and financial planning including a revised annual cycle and programme of 'corporate challenge' and value for money (VFM) reviews;
  - ensuring the corporate commitment to delivering value for money is rolled out through service planning;
  - continuing to work with partners to reduce crime levels; and
  - improving those services where performance is currently in line with the worst 25 per cent of councils, for example, in a few areas of environmental services.
- 3 We have raised in separate reports some other areas for improvement and have agreed appropriate action with officers.

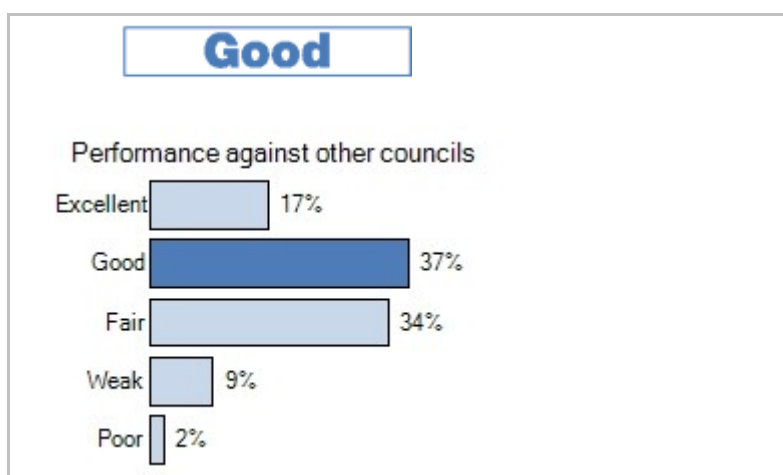
## Purpose, responsibilities and scope

- 4 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 5 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 6 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). (In addition the Council is planning to publish it on its website).
- 7 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
  - the Council's accounts;
  - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
  - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 8 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report, and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 9 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.

## How is Test Valley Borough Council performing?

- 10 The Council was assessed as Good in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now updating them, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

**Figure 1 Overall performance of district councils in CPA**



Source: Audit Commission

## The improvement since last year - our Direction of Travel report

- 11 The Council continues to deliver improvements to its services. The Council has done well to improve just over half of the Audit Commission basket of performance indicators (53 per cent) between 2005/06 and 2006/07 but this is slightly below the average for all district councils (58 per cent). The Council also has slightly fewer top performing indicators (28 per cent) than average (33 per cent). Over the past three years the Council has improved 63 per cent of performance indicators, which is above the average for all district councils (55 per cent).

- 12 A number of Council services that are central to delivering corporate priorities are in line with the best 25 per cent of councils. This includes the time it takes the Council to respond to complaints, the speed of processing new housing benefit claims, the speed and quality of planning and aspects of leisure services. The Council is also delivering good regeneration and cultural improvements that are not covered by the basket of performance indicators, for example, a new supermarket and cinema complex will open in Andover early in 2008. Overall satisfaction with the Council is above average but deteriorated between 2003/04 and 2006/07 from 68 to 55 per cent.
- 13 The Council is performing less well and is not improving on a few aspects of its environmental services.

### **What evidence is there of the Council improving outcomes?**

- 14 The Council has produced a new corporate plan, 'Maximising impact,' for 2007/11 and the paragraphs below set out progress against its five customer facing priorities set out in the plan.

#### **Creating safer and stronger communities, 'a place where people feel safe and involved, in strong local communities.'**

- 15 Performance on affordable housing is good and improving. The homelessness service is also improving. The Council is working to strengthen its communities but progress on reducing crime is mixed.
- 16 One hundred and ten new affordable homes were completed in 2006/07 and the Council's target is for a further 108 to be completed in 2007/08. At the end of September 2007, 55 were complete. The Council provides capital funding and works closely with partners through the Partnership for Urban South Hampshire (PUSH) and Hampshire Alliance for Affordable Rural Housing (HARAH) to maximise the delivery of new affordable homes. Councillors take a strategic approach to planning and this has helped with delivery of affordable homes. They recognise that a strategic approach helps to achieve better planning gain deals and higher quality developments.
- 17 The Council is also making good progress on the Andover Major Development Area and on plans for housing growth in the south of the borough. Officers have invested significant time in briefing Councillors to help them contribute and negotiate in discussions about housing numbers in the south of the borough. This is helping to secure favourable outcomes for the Council.
- 18 The homelessness service is improving. The Government formally congratulated the Council on its preventative work to reduce the number of homelessness acceptances over the past five years. Numbers have dropped from 215 in 2002/03 to 21 in 2006/07, a reduction of 90 per cent. This fall is continuing in 2007/08. Additionally the average length of stay in hostel and bed and breakfast accommodation and the number of households in temporary accommodation are all decreasing.



- 19 The Council has taken the lead in establishing a community information shop in the most disadvantaged ward in Andover. 'Askalot', is managed through the Local Strategic Partnership's Turnaround Project and opens five or six days a week on a multi-agency basis. It provides a base for an IT skills 'Everyone On Line' project.
- 20 The Council, in partnership with other local organisations is starting to identify the needs and concerns of new migrants to the area. This followed an increasing number of enquiries to the Council about services for people with English as a second language. The Council's community development team, with partners from the police, voluntary sector and Polish and Portuguese communities set up a steering group to come up with ideas to help. This generated a 'community information day' held in Andover to provide free advice from a range of agencies - and over 75 people from a number of nationalities attended. A feedback report analysed the needs of attendees and highlighted the lessons learned, and this will inform future activities.
- 21 The Council with its partners is taking positive actions to reduce crime levels, but the number of recorded crimes increased from 4773 to 5084 between 2005/06 and 2006/07, reflecting a trend across Hampshire. The Council and its partners are forecasting that they will not meet their three-year Local Area Agreement target to reduce the crime rate by 17 per cent by the end of 2007/08. The number of burglaries and robberies is falling but violent crimes, sexual offences and car crime are all rising. Actions taken by the Council include a 'hot spot' tasking approach that has started to target places and times with higher incidences of criminal damage and anti-social behaviour. This has included work led by Hampshire Fire and Rescue and the Council's environmental health team to prevent arson by setting up fast track reporting. Staff out in the borough that see a potential fire hazard, for example, rubbish or an abandoned car, can report it and it is quickly cleared. The Council's Neighbourhood Warden Service has also received accreditation from Hampshire Constabulary and wardens can now use a number of additional powers in carrying out their duties within the community and contribute to the Safer Neighbourhoods Teams.

**Improving cultural opportunities, 'a place where people can participate and enjoy a wide range of cultural and leisure activities.'**

- 22 The Council is continuing to improve cultural and leisure opportunities for local people and to support and develop a wide range of events and facilities. The level of participation in sport is the eighth highest of all councils in England and customer satisfaction with sports and leisure facilities within the best 25 per cent of councils.

- 23 'The Lights' entertainment venue has had a successful first year. Since opening in October 2006, 45 shows have sold out and there have been over 64,000 visitors. The 'Andover Live' programme included a sports fair aimed at encouraging participation and raising levels of physical activity within the community and this resulted in 100 new members for local clubs. The Romsey Festival of Sport was attended by approximately 300 eight to ten year olds who were encouraged to try a variety of sports and increase physical activity, and The Depot youth complex saw a 26 per cent increase in the numbers of young people using the facilities. The Andover Food Fayre highlighted the importance of local produce in the community, and the Hampshire Water Festival came to Andover. A cinema is due to open in Andover in spring 2008. Following the development of a multi-agency Children's Play Strategy last year, a Big Lottery Fund grant of £202,053 was awarded towards improving play opportunities for local children. This will support a community play coordinator, a new junior play area in Phoenix Park and outdoor play features designed in particular for children with profound disabilities.

**Promoting health and well-being, 'a place where people are healthy and feel positive about their lives and their future.'**

- 24 The Council has invested in activities to improve the health and well-being of local people.
- 25 Aspects of the Turnaround project in Alamein ward support this priority. The community information shop, 'Askalot,' provides a range of outreach services including parenting advice and support, a church-army family worker, a sexual health clinic, and drugs and alcohol advice.
- 26 The SWELL (Safe, Warm and Well) partnership has provided information and advice on older people's well-being with a focus on affordable warmth. A project in partnership with the Fire Service has combined home fire-safety checks for vulnerable people with information on energy efficiency and referral to Test Valley Home Improvement Agency if appropriate. Following legislation to ban smoking in public places, the Council visited businesses providing awareness of the obligations under the new law. The Council also supports 'healthy walks' with over 150 people per week taking part, and offers a range of discretionary elements to its concessionary fares scheme, in addition to those required by law, benefiting more vulnerable people in the community.
- 27 The Council has carried out a review of services for vulnerable people. The review concluded that a wide range of services for vulnerable people is provided across Test Valley but take up might not be as extensive as possible. The Council has developed an action plan to respond to the findings of the review and this is being implemented.

- 28 Improvements to the benefit service are mixed. Benefit claims were processed more quickly in 2006/07 and the speed of dealing with new claims is in the best 25 per cent of councils. Performance on the speed of dealing with changes of circumstances has slipped in the first two quarters of 2007/08 but this reflects initiatives to encourage people to report changes of circumstance. The Council's performance on the proportion of cases processed correctly was in line with the worst 25 per cent of councils in 2006/07. The Council's own data suggests this has improved in the latter part of 2007/08 following the appointment of an additional member of staff.

**Protecting and enhancing the environment, 'a place where people enjoy and help maintain a high quality, sustainable environment.'**

- 29 The Council is improving its environmental services including waste collection and recycling but there are still a few weaker areas. The performance of the planning service remains strong.
- 30 The Council is recycling more waste. In 2006/07 it recycled or composted 27 per cent of waste, which was below the average for councils, but by September 2007 this had risen to 36 per cent. This is above the national target of 30 per cent. The amount of waste collected from each household is reducing and better than average, and an increasing number of households (99 per cent) are being served by kerbside recycling. The Council's own data suggests the level of contamination in recycling continues to fall, which should enable income from recyclable materials to be increased. The Council is also taking steps to encourage new recycling streams. A foil recycling project was launched in Andover, as well as a 12-month trial of food waste digesters aimed at encouraging not only the recycling of food waste, but also taking steps to reduce waste at source. These activities will help the Council continue to improve its level of recycling. The cost of waste collection per household at £69 per household was in line with the most expensive 25 per cent of councils in 2006/07. The Council forecasts that this figure will fall to £57 in 2007/08, which is a significant reduction but still more expensive than many other councils. Satisfaction with both waste collection and recycling are low and deteriorating. This may reflect changes to the service that were in progress at the time of the survey.

- 31 Performance on cleanliness of public spaces is mixed but the Council is investing in actions to clean up the environment. Indicators show that levels of graffiti and fly-tipping are worse than average and satisfaction with public cleanliness is in the worst 25 per cent of councils, but overall levels of public cleanliness are better than average and are improving. The Council's enforcement team has issued 180 fixed penalty notices since January 2006 to people dropping litter, cigarette butts or failing to clean up after a dog. A litter campaign highlighted that dropping litter is an offence and that the Council takes a robust zero tolerance approach. Enforcement officers handed out free pocket ashtrays, car tidy bags and pens and pencils made of recycled materials at supermarkets, railway stations and town centre locations. The Council held its first CREW Week (Community Respect and Environment Week). This involved collaboration between a range of authorities and partner groups to enhance the local environment and engage the community. Ten and a half tonnes of waste were removed and the police chased up outstanding warrants and conducted high visibility patrols with the Council's neighbourhood wardens.
- 32 The Council has been developing its work on sustainability and has agreed a detailed action plan. Improvements include rolling out of a programme of switching off computers, printers and other equipment out of hours, and the Council implemented this over the Christmas break. Further positive actions that are planned include developing a sustainability strategy by March 2008; reviewing energy consumption for Council buildings and setting reduction targets; and developing a 'top tips' leaflets for residents to help them reduce their carbon impact.
- 33 The planning service is performing well, but improvement is mixed. The speed of determining all types of planning application fell slightly in 2006/07 – and this fall has continued through 2007/08 for 'minor' and 'other' planning applications, although performance is still good and within national targets. This fall reflects a deliberate and carefully managed approach to allow some applications to be amended rather than withdrawn and resubmitted, even though they may then exceed target timescales for making a decision. The Council considers that in some cases better customer care is provided by a speedier approval rather than a quick decision. The level of planning appeals rose in 2006/07 but is now falling. The Council has produced a draft Core Strategy of the Local Development Framework for consultation and this will support delivery of corporate priorities.

**Enabling a prosperous economy, 'a place where people can realise their full potential in a vibrant local economy.'**

- 34 The Council has made good progress against key actions for 2007/08 set out in its corporate plan. It is starting to see outcomes on the ground from its work with 'Andover Vision' – a partnership with strong business involvement, which aims to develop a more prosperous, entertaining and inclusive Andover. The Council's long-term economic strategy has been refreshed and this brings together a range of economic development and regeneration work.

- 35 The Council has started work to rejuvenate the borough's industrial estates, including new signage, environmental improvements and changes to the employment uses on the estates, for example planning permission has been given for a nursery on the Walworth Industrial Estate.
- 36 Enhancements to Andover town centre continue with planning permission for a new hotel, flats and restaurants. Work is also underway to attract more quality retailers to the town centres. A new supermarket and cinema complex will open in early 2008. There are also plans in place for a new headquarters for Ordnance Survey at Nursling.
- 37 In accordance with the pledges in the Andover Vision to 'transform the town' and for a refurbished Guildhall, the Council has agreed to lease the ground floor of the Guildhall to a restaurant operator who is proposing to invest in the building. The Council will provide a new community space in the town centre for the previous users of the Guildhall and other groups.
- 38 To support employment of young people a number of locally trained apprenticeships in construction trades are part of Section 106 agreements for major developments at East Anton and Picket Twenty. The Council is also working in partnership with Test Valley Community Services, and other councils, to promote the 'wheels to work' scheme through which young people are able to hire a moped for 12 months to help with transport to work. Six out of eight of these are currently in use.

### **How much progress is being made to implement improvement plans and sustain future progress?**

- 39 The Council's new corporate plan includes a priority to, 'maximise capacity and impact – a Council which makes the most of its people and resources to improve quality of life for all'. Progress against this priority is set out in the remaining paragraphs.

#### **Current and future plans, and capacity**

- 40 The Council has developed a new corporate plan and a medium term financial strategy, and these combined with a new community plan, provide a clear direction for the Council. The Council's service and financial planning are good in parts but not yet fully integrated. There are plans to improve integration and actions are starting but these will take time to roll out across all services and impact on service improvements.

## 14 Annual Audit and Inspection Letter | How is Test Valley Borough Council performing?

- 41 The Council's new corporate plan sets out six priorities. For each of these the Council explains the outcomes it wants to achieve, its key actions planned for 2007/08, its medium term plans and how it will measure success. Key actions for 2008/09 have also been developed. The intention is to set targets against corporate plan measure of success and report progress against these annually from June 2008. The Council's medium term financial strategy underpins the corporate plan. It sets out how the Council will use its resources to deliver priorities and how the Council will start to integrate service and financial planning. A light-touch project management approach has been piloted and will be rolled out across services in 2008. This will apply project management principles to all projects to help keep them on track and ensure they deliver VFM.
- 42 Service and financial planning are not yet integrated. Service planning and budget timetables are not aligned, for example, although discussion about service priorities forms part of budget deliberations, service plans are not drafted until later in the process. A number of important indicators of performance are monitored quarterly but these are not aligned to the new corporate plan.
- 43 The Council achieves good value for money (VFM). It has relatively high costs in some service areas but with good quality services being delivered, in line with priorities. The Council achieves a low council tax due to income from investments and other sources. However, although procedures are being put in place to embed VFM at a corporate level and to deliver efficiency savings across the Council, this is not yet fully implemented or yielding results in all service areas. The Council is improving VFM via efficiency gains. For example, around £0.7 million was saved by the introduction of alternate weekly bin collection. Efficiency targets over the three-year plan have been exceeded with mainly cashable savings.
- 44 The Council has recognised weaknesses in its service and financial planning and in its approach to VFM, and is planning a number of improvements. A new programme of 'corporate challenge' and VFM reviews is proposed. These will ask, 'should we be delivering this service?' and 'is this the best way of delivering this service?' Corporate challenge will help to review the allocation of resources between priority and non-priority services. A new VFM team will pilot reviews in land charges, building control and human resources in 2008/09. The intention is that these approaches will help embed a culture where council staff and Councillors focus on the value they are getting from resources. This programme will take time to roll out but if successful will support this aim.
- 45 In addition, the Council has revised its service planning template and guidance – in part to ensure that VFM and equalities and diversity are taken into account. It is also updating its annual service and financial planning cycle so that these are more integrated, and plans to develop its quarterly monitoring of key performance indicators to fit better with the corporate plan measures of success.



- 46 The Council is taking steps to enhance its capacity and in particular to encourage learning and increase the confidence of its staff. It continues to work well with its partners, in particular the Local Strategic Partnership (LSP) and Andover Vision, and can point to better services for local people because of partnership working. This includes specific LSP projects such as the 'Askalot' community information shop and wider ranging work, for example, to encourage education and lifelong learning by supporting delivery of a more varied curriculum for 14-19 year olds in Andover.
- 47 The Council is investing in improving the capacity of its staff. A new Transformation Board has been tasked with developing ideas for moving the organisation forward. One achievement has been setting up a middle managers' forum. This is an active group that focuses on learning and networking to support better corporate and cross-service working. The staff induction programme has also been refreshed – more time is spent on the Council's vision and values and all new staff attend a half-day 'diversity' workshop. Officers report that this is having a positive impact on the Council's culture.
- 48 New opportunities for sharing services across councils are being explored with other Hampshire districts but are not yet being implemented. Discussions are focusing on revenues and benefits, specialist planning services, customer services and the out-of-hours service. Subject to each particular business case, shared services could potentially offer a mixture of cost savings and improved performance and resilience.

#### **Access to services**

- 49 The Council recognised it was falling behind on its approach to equalities and diversity and has delivered wide-ranging improvements. It is now improving the way it ensures that access to services, information and employment is fair, and that services are tailored to meet the needs of diverse communities. However, this is from a low base and the Council is still on level one of the Local Government Equality Standard. Seventy one per cent of councils are further ahead than this.
- 50 An equalities scheme was published in May 2007 and updated in December 2007. This sets out what the Council aspires to and its three-year improvement plans. The Council is monitoring its action plan and over 70 per cent of actions are complete or on going after just the first year of implementation. For example, monitoring questions are now included in all consultation and a question and answer booklet on equalities has been issued to Councillors and staff. A programme of equality impact assessments (EQIAs) is helping the Council identify barriers to fair and equal access and provision across its services. The Council is aiming to complete its EQIAs thoroughly and has set up a critical friends group, tasked with supporting and challenging the assessments. There are examples of this process producing assessments that are more thorough. The Council recognises the importance of councillor leadership in this area and has appointed a councillor champion. It is critical that this champion takes a proactive role in this area of work.

## 16 Annual Audit and Inspection Letter | How is Test Valley Borough Council performing?

- 51 The Council is improving its approach to understanding the services and information its customers need. It has developed an, 'access to information and services strategy for improvement.' By 2009 the Council aims to have built a core of information about the priorities of customers and their preferences with the Equalities Scheme at its core – and this will be used to improve services. A clear and specific action plan sets a series of actions, measures and outcomes. The Council has also held workshops for its entire staff on the 'customer experience', with a focus on empathising with customers and understanding how Council staff behaviour influences people's feelings about the organisation.
- 52 The Council's workforce reflects the community more than other councils, for those from BME communities and those with disabilities, and this is to be commended. In addition, the Council has carried out a thorough EQIA on its recruitment processes, has identified areas for improvement and is now working on these. The Council recognises that some planned actions to improve equalities are not progressing so well, such as not yet having set-up a disability forum, but expects to reach level two of the Local Government Equality Standard by the end of March 2008.
- 53 As part of its 'Vulnerable People' review, the Council reviewed its consultation. This highlighted that the Council undertakes a wide range of consultation, but it is not widely published internally and results are not always used. However, there are excellent examples of consultation leading directly to service improvements, for example, swim lessons for disabled people at leisure centres. The review found that the Council needs to think through how its consultation with hard to reach and vulnerable people could be more effective. It is intending to develop guidance for staff to help with this.



## The audit of the accounts and value for money

- 54 As your appointed auditor I have reported separately to the General Purposes Committee on the issues arising from our 2006/07 audit and have issued:
- my audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 28 September 2007: and
  - my report on the Best Value Performance Plan confirming that the Plan has been audited.

### Audit opinion

- 55 We issued an unqualified audit opinion on 26 September 2007.
- 56 We pointed out that some of the Council's properties had not been re-valued within the required five-year period. These properties were subsequently re-valued, but the Council needs to ensure there is a comprehensive five-year cyclical programme of valuations in place for land and buildings. We raised in our Annual Governance Report, presented to councillors in September 2007, that there were a few other areas of capital asset recording and accounting that needed attention and these are being addressed by officers.

### VFM conclusion

- 57 Our overall conclusion was that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources in 2006/07.

### Use of Resources

- 58 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
  - Financial management (including how the financial management is integrated with strategy to support council priorities).
  - Financial standing (including the strength of the Council's financial position).
  - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
  - Value for money (including an assessment of how well the Council balances the costs and quality of its services).

- 59 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as shown in Table 1.

**Table 1 CPA Use of Resources assessment 2006/07**

<b>Element</b>	<b>Assessment</b>
Financial reporting	2 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
<b>Overall assessment of the Audit Commission</b>	<b>3 out of 4</b>

*(Note: 1 = lowest, 4 = highest)*

- 60 The Council has continued to demonstrate good performance with particular progress in developing effective risk management arrangements over the last year.

### **Financial reporting**

- 61 The Council produced its financial statements to a good standard and well within statutory deadlines, with supporting documentation of a good quality. However, the accounts submitted for audit had to be amended and aspects of capital accounting in particular needed to be improved.

### **Financial management**

- 62 The Council has a soundly based medium-term financial strategy and has ensured that resource allocation reflects corporate priorities. Budget monitoring is sound, although performance and budget information could be better integrated in reports to members.
- 63 The Council is still working to update its asset management plans, with a focus on the investment needed in the council's industrial estates, and also needs to develop performance measures to help to ensure that assets are supporting the achievement of corporate objectives.

### **Financial standing**

- 64 The Council continues to manage its spending within available resources and its overall financial position is satisfactory.

## **Internal control**

- 65** The Council's arrangements for risk management are now working effectively, linked to policy-making, project management and service and financial planning. Business Continuity Plans are in place, although not yet fully tested.
- 66** The Council has continued to maintain sound systems of internal control and good anti-fraud arrangements, including its Speak Up campaign. The development of governance arrangements for key partnerships is progressing, but remains under development.

## **Value for money**

- 67** Overall, the Council achieves good value for money. In service areas where it has relatively high costs it delivers good quality services. The Council achieves low levels of council tax because of relatively high levels of income from other sources, notably investments.
- 68** However, there is scope for the Council to develop further its approaches to improving value for money. This is not yet a significant feature of the corporate improvement plan, or of service plans, targets and appraisals, and there was little sign of effective processes having been in place during 2006/07.

## **Data quality**

- 69** The Council has adequate arrangements to secure the quality of data, but these are not yet fully developed. Expectations for data quality have been defined at a strategic level, but have not yet been approved or rolled out to all staff. A skills gap analysis has not been completed.
- 70** However, systems are in place to secure the quality of data and data is used effectively to enable service improvement.
- 71** Our work on individual Performance Indicators (PIs) identified that all PIs were complete and within plausible and permissible values. We carried out spot checks on two indicators and found them to be fairly stated, although there was no clear audit trail for one of them. We followed-up one indicator that caused problems in our previous year's checks, and found that improvements have been made and it had been fairly stated for 2006/07.
- 72** An action plan has been agreed with the Council to address the issues arising from this review.

## Your business @ risk

- 73 In partnership with the Council, we carried out a survey designed to help raise awareness of risks associated with the increasing use of technology and to gauge employees' level of knowledge of such risks, in order to facilitate action to reduce them. The main conclusion was that the Council's employees are confident that systems, policies and procedures are generally in place to minimise IT risks. Their main areas of concern were procedures protecting against virus incidents, unauthorised access to networks and misuse of personal data. The Council is satisfied the procedures are sound and is raising awareness of them.

## Looking ahead

- 74 The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 75 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 76 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.

## Closing remarks

- 77 We discussed and agreed this letter with the Chief Executive and Head of Finance on 20 March 2008. We will present it to the Executive on 23 April 2008 and copies will then need to be provided to all Council members.
- 78 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year, as shown in Table 2.

**Table 2 Reports issued**

Report	Date of issue
Audit and inspection plan	March 2006
Your Business @ Risk	April 2007
Interim audit memorandum	July 2007
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Use of Resources report	November 2007
Data Quality report	February 2008
Annual audit and inspection letter	March 2008

- 79 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

### Availability of this letter

- 80 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the Council's website.

**Lynda Krywald, Relationship Manager**

**Patrick Jarvis, District Auditor**

March 2008