

Annual Audit and Inspection Letter

March 2008



# Annual Audit and Inspection Letter

**Epsom and Ewell Borough Council**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

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.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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## Key messages

- 1 This report is a summary of the Audit Commission's assessment of your Council in 2006/07. It is available to the public and is addressed particularly to members. The key messages for Epsom and Ewell Borough Council (the Council) included in this report are as follows.
  - The Council prepared timely, good quality accounts, on which we issued an unqualified opinion, and supporting working papers. We also issued an unqualified conclusion on the Council's arrangements to provide good value for money in its use of resources.
  - During the period under review, sound financial systems and controls were in place. The Council introduced a new financial ledger system in April 2007 and we plan to review this during our 2007/08 audit.
  - The Council has maintained its good performance in its use of resources, with an overall score of '3' out of a possible 4, indicating that the Council is performing well. This is a notable achievement because the test becomes harder each year.
  - Financial targets were met in 2006/07, despite a challenging financial environment. However the Council had to draw on some of its reserves to achieve break-even, as it had planned to do. The use of reserves for this purpose is not sustainable in the longer term. The outlook for 2008/09 and beyond is very challenging as the Council faces increasing costs and constraints on its main sources of income.
  - Services are delivered at a comparatively low cost to residents. The capital programme is well-managed and has delivered major projects within time and budget, demonstrating the effectiveness of the Council's project management arrangements.
  - The Council's general overall performance, as measured by a basket of performance indicators, was above average in 2006/07 and has improved at a rate better than average.
  - There was an improvement in the proportion of waste recycling or composted during 2006/07, however the Council still ranked amongst the worst performers nationally. The Council's approach has been cautious, however there are indications that performance is improving substantially during 2007/08.
  - Eighty nine new affordable homes were provided in 2006/07, which is more than was achieved in the previous two years. This ranks Epsom and Ewell among the best performing councils for completions or acquisitions per thousand dwellings. Through the new Local Development Framework Core Strategy the Council expects to deliver 950 new affordable homes by 2022.

- The Council improved its performance against the Equalities standard in Local Government from level 1 to level 2 in 2006/07. Nationally 24 per cent of councils achieved levels 3 to 5, with 5 being the highest possible score.
- Arrangements to ensure the quality of the Council's data are good, and compare well with other councils.

## **Action needed by the Council**

- 2 Epsom and Ewell Borough Council continues to perform well and to demonstrate good value for money in its service provision. Issues raised during the audit were few in number. However there are some service areas, most notably recycling, where the Council's performance is relatively weak. Moreover, the Council's financial position continues to be challenging.
- 3 The Council should focus on the following to maintain and to improve further its performance:
  - ensure its new financial systems are properly embedded and carry on the Council's good track record of producing timely, good quality accounts and working papers;
  - continue to monitor the financial position and level of efficiency savings achieved in order to maintain the Council's good track record of meeting its financial targets; and
  - address the weaker performing services as part of its commitment to improve performance and value for money.

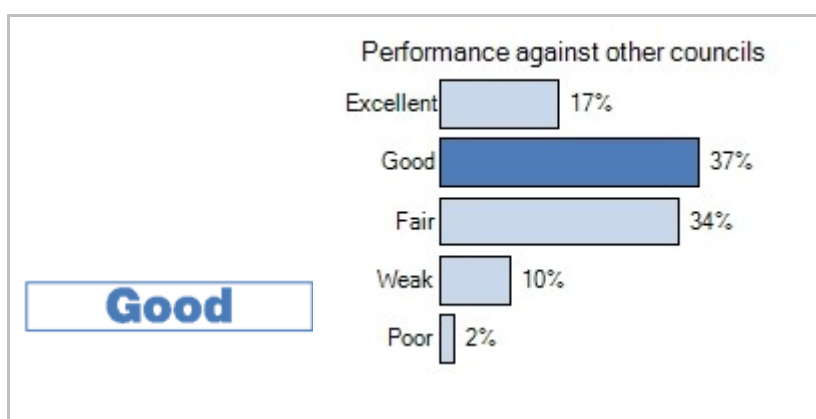
## Purpose, responsibilities and scope

- 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).
- 7 As the Council's 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 Epsom and Ewell Borough Council performing?

- 10 Epsom and Ewell Borough Council was assessed as 'good' in the Comprehensive Performance Assessment carried out in 2004. The Council has maintained its score of 3 out of a possible 4 in its Use of Resources assessment which was refreshed in late 2007 to cover a 3 month period for this year only. CPA assessments have been completed in all district councils and we are now updating these assessments, through updated corporate assessments in councils where there is evidence of change. We have not judged it necessary to update Epsom and Ewell's score. 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 redefined its priorities in 2003 and they have informed and guided improvement planning since then. They are as follows:
- to reduce anti-social behaviour and the fear of crime;
  - to improve the visual appearance of the local environment;
  - to improve services for young people;
  - to secure additional key worker, social and affordable housing;

## 8 Annual Audit and Inspection Letter | How is Epsom and Ewell Borough Council performing?

- to secure improved transport facilities for particular sections of the community; and
- to cut bureaucracy and improve cost effectiveness.

The Council also stated its continued commitment to:

- recycling; and
- Supporting the vulnerable and elderly.

- 12 The Council has developed a new four year corporate plan to cover the period 2007 to 2011 which sets out new key priorities and core values. The supporting service and financial plans will be agreed in early 2008 when the new priorities come into operation. This direction of travel report comments on progress made last year against the priorities set in 2003.

### **Performance overview for 2006/07**

- 13 Some 35 per cent of the Council's key indicators of performance are among the best performing 25 per cent of district councils. This is marginally above average performance - the average for district councils is 33 per cent.
- 14 The rate of improvement since last year is better than the average for district councils. The Council was ranked 142nd out of 388 for the percentage of performance indicators that improved since last year. Sixty two per cent of indicators improved compared to the average range for district councils of 57-59 per cent.
- 15 The rate of improvement over a three year period is below average. The Council was ranked 299 out of 388 for the percentage of performance indicators that improved in the last three years. Fifty two per cent of the indicators improved which is below the average range for all district councils of 54-56 per cent.
- 16 The Council has achieved level 2 of the Equalities Standard for Local Government which is an improvement on the level 1 status in 2005/06. Level 2 has been achieved by 47 per cent of councils with 24 per cent having achieved level 3 to 5, with 5 being the highest rating.
- 17 Overall resident satisfaction with the Council for 2006/07 has declined since the last national satisfaction survey was completed in 2003/04. This deterioration in satisfaction reflects a common national trend and the Council has managed to maintain its comparative performance among the best performing councils.

## **Reducing anti-social behaviour and the fear of crime**

- 18 This key priority continues to be challenging for the Council and the Crime and Disorder Reduction Partnership (CDRP). National performance indicators show that crime levels in the district are below average for four of the six categories of crime. Last year all six were below average but violent offences and robberies have both increased sufficiently to put these indicators above average for 2006/07. The CDRP has a good understanding of the underlying reasons for the increases and has initiated action to address them. The level of domestic burglaries has significantly reduced since last year and now ranks the CDRP among the best performing nationally. However, along with other Surrey CDRPs, the Partnership is not on track to meet its target for crime reduction in the Surrey Local Area Agreement.
- 19 The Council has been engaged in a number of initiatives to reduce anti-social behaviour in the borough. The Council agreed in October to extend the current Section 13 order within Epsom Town centre to include other alcohol-related trouble spots within the borough. This now enables police officers to confiscate or dispose of any alcohol being consumed, whether by minors or adults, in these designated public places. Police data records approximately 300 incidents of seizure between January and October 2007 with the majority in public parks. Additional orders have also given police powers to disperse groups of two or more people, and return unsupervised under-16 year olds to their homes. The 'Safer Venues' award is a scheme operated jointly by the Council and Surrey Police which recognises venues that have contributed to making Epsom Town Centre a safer and more welcoming place to be at night. It also attaches penalty points to venues which have been the cause of alcohol-related nuisance and/or disorder. Failure to react to penalty points could lead to the Police applying to the Council to review the license. The first venues to receive the award were announced in April 2007.

## **Improving the visual appearance of the local environment**

- 20 The Council has delivered recognisable improvements to the visual appearance of the area during the last year. A number of cross-departmental projects have contributed to this improvement including the updating of a number of children's playgrounds and a new one being opened at Auriol Park. Graffiti removal is now more effective with the Council aiming to remove all racist, offensive or obscene graffiti within 24 hours of it being reported. A 'Wipe out Graffiti' campaign was launched in June, with council officers working with local residents in Ewell to clear the local area of graffiti. The 2006/07 national indicator that reports on visible graffiti has improved significantly since last year and has moved the Council from among the worst performing councils to slightly below average. Other environment indicators support this improvement trend with visible fly-posting moving from worst to best performing and the littering indicator moving from worst performing to slightly below average. Resident satisfaction with the cleanliness of public space has improved since 2003/04 and the Council remains above average compared to other councils.

- 21 The Council continues to work to preserve the open spaces in the borough. Management plans have been developed to ensure that they are managed and developed correctly in respect of nature conservation. Epsom Common Local Nature Reserve won a Green Flag Award for the first time this year. The Green Flag scheme, which has been running for 11 years, awards those parks and open spaces judged to be welcoming, safe and well maintained and to involve the local community. The Council remains among the top performers for resident satisfaction with parks and open spaces.

### **To improve services for young people**

- 22 The Council has made further progress in the implementation of its 'Youth Plan' which aims to improve services for young people. It continues to support and facilitate appropriate events such as the Youth Leisure Day at the Ebbisham Centre, the Surrey Youth Games and numerous other sports and music events. The Surrey Youth Games encouraged 280 young people from the borough to enjoy free trials and coaching sessions delivered by qualified coaches who volunteered their time and expertise. The Council has employed a youth diversion co-ordinator to develop a program of activities for young people at risk within the borough and a mentor program for young people at risk of anti-social behaviour has been operating since March 2007. The mentor scheme benefits young people by providing a source of advice and direction as they consider choices in education and their personal life.

### **To secure additional key worker, social and affordable housing**

- 23 The Council is making satisfactory progress with the delivery of affordable housing. It helped deliver 89 new homes in 2006/07, which was less than its own target of 95 but more than was achieved in the previous two years. The 2006/07 performance ranks the Council among the best performing councils for completions or acquisitions per thousand dwellings. This indicator takes account of the relatively small size of the district and more accurately reflects comparative performance compared to larger district councils. Recent schemes include the 40 new affordable flats and houses in the Revere Way development in Ewell which are now occupied. This development was a partnership initiative and had its official opening ceremony in January 2007.
- 24 The Council has set slightly lower targets for affordable housing provision for 2007/08 which reflects the current planned new home starts this year and next. Between April and September 2007, 35 affordable dwellings have been delivered but at this stage it is unclear if this progress will deliver the full year target. The Council had its Local Development Framework Core Strategy approved during the year by the Planning Inspectorate. This strategy sets out how the Council will provide for new housing, including affordable housing without the release of Green Belt land. This strategy is expected to provide 950 new affordable homes by 2022. A significant proportion of this affordable housing will be provided by the 'hospital cluster', a number of former NHS sites in the Green Belt. Three of these sites remain to be developed.

- 25 Council action to return vacant private sector dwellings back to occupation has reported a strong performance in 2006/07. The Council is now ranked among the best performers for this indicator in comparison to being among the worst in 2005/06. Last year the Council had dedicated additional resource to private sector housing initiatives to support improvement. With hindsight and comparing itself to the actions of other councils, the Council recognises that it has been understating this indicator and had unfairly placed itself among the worst performers in previous years. Of the 66 dwellings reported in 2006/07, 56 were delivered through the Council's rent and deposit guarantee scheme which would not have previously been reported.

### **To secure improved transport facilities for particular sections of the community**

- 26 'Route call' is the Council's dial-a-ride bus service for residents over 60 years and for those with a disability. Current usage is not meeting expectations due to greater car usage by older people. As a result the Council is developing a marketing plan for 2008 to encourage take-up and to investigate sponsorship possibilities. A longer term strategy for the service is currently being reviewed by the Council to improve services as well as looking for greater efficiencies. Enhancements to the concessionary fares scheme, for those over 60 and with certain disabilities, have been recently agreed to take effect from April 2008.

### **To cut bureaucracy and improve cost effectiveness**

- 27 Resourcing pressures continue to help focus delivery against this priority. The most recent Use of Resources assessment judged that the Council achieves good value for money with generally above average service outcomes, average service costs and at comparatively low cost to residents. The Council continues to have sound arrangements for achieving good value for money in the future. It has secured efficiency savings in excess of the national target and moved extra funding into its priorities as a result.
- 28 The Council is improving cost effectiveness through the appointment of joint posts with neighbouring councils. This provides the required expertise while sharing costs of employment and recruitment. One example is the sustainability officer post shared with Elmbridge Borough Council. Staff sickness absence is increasing and ranks the Council worse than average compared to the other councils. This performance indicator is distorted by ongoing long term absence and short term absence issues have been addressed effectively.
- 29 The Council has been diligent in preventing losses to the taxpayer through benefit fraud. In 2006/07 the Council prevented approximately £100,000 of benefit fraud and the Council expect this to exceed £150,000 in the current year. National indicators that measure the success in recovering benefit overpayments are improving. The Council has a solid track record of successfully prosecuting fraudulent claimants which helps serve as a deterrent to others who may consider depriving the more vulnerable in the community.

- 30 In 2006/07 performance in collecting council tax and non-domestic rates was at a similar level to other district councils in Surrey. During 2007 the loss of a number of experienced staff and issues with the new 'Financials' system resulted in the late posting of payments. As a consequence the recovery timetable which normally starts in June did not do so until November and was less effective than previous years. The issues that contributed to this dip in performance have since been addressed by the Council. The Council has entered into a joint contract with three other Surrey councils to produce council tax bills, which is planned to reduce costs by nearly 30 per cent.

## Recycling

- 31 The Council's investment strategy to improve recycling and composting rates has been cautious and prudent. The Council remains committed to improving recycling and composting rates in its new 2007 to 2011 priorities, but is now more clearly defined as 'cost effective recycling'.
- 32 The Council has continued to improve performance but still ranked among the worst performers nationally. It achieved a level of 21 per cent for recycling and composting in 2006/07 compared with an average for all district councils of nearly 30 per cent. Although recycling and composting rates are reported as one indicator, the Council points out that its recycling rates are about average and it was the absence of a composting service that meant Epsom and Ewell compared unfavourably with other councils.
- 33 The most recent unaudited Council data indicates that recycling and composting rates are improving strongly in 2007/08 and are running at approximately 30 per cent. This suggests that the various Council initiatives to extend the service, such as the subscription based collection of garden waste from November 2006, are now beginning to make a difference. The Council plans to extend kerbside collections in early 2009 to incorporate, for example, kitchen waste, plastic and cardboard.
- 34 Waste collected is reducing, although it remains about average compared to other councils and exceeds the lower threshold set by DEFRA<sup>1</sup> to reflect expectations of performance. The Council supports the 'Vine Project', a local charity that collects unwanted furniture and household goods and redistributes them to local residents in need. This project also removes such goods from waste collected. Despite the enhanced service, resident satisfaction with recycling is declining, with the 2006/07 survey data now ranking the Council among the worst performers. The Council recognises the need to raise awareness of the service and has agreed plans and funding to undertake this in the future.

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<sup>1</sup> Department for Environment, Food and Rural Affairs

## **Supporting the vulnerable and the elderly**

- 35** The Council continues to deliver discretionary services for the elderly through its social centres. These centres welcome anyone over age 55, or retired, and offer a range of recreational and social activities. The Council's holistic approach is providing not only physical support through, for example, the provision of meals but also offers social and learning opportunities. Consultation with the community to better identify the future role for the centres was undertaken in September 2007. This is being used to inform how the service will meet the needs of current and future users.
- 36** The Council continues to be successful in addressing homelessness by providing additional support to vulnerable families. This has resulted in further reductions in the number of families in temporary accommodation in 2006/07 and this continues to rank the Council among the best performing councils in this respect. Performance indicators for the average length of stay in bed and breakfast and hostel accommodation are also among the best performers with the hostel indicator showing significant improvement from the previous year.
- 37** The Council's benefit service is improving and this directly improves the situation of more vulnerable people in the community. National performance indicators for the time taken to process new housing benefit claims and changes of circumstance both improved in 2006/07. The first is above average and the second in the best performing district councils.

## **Plans for improvement**

- 38** The Council has plans in place for improvement. As already described, the Council has developed a new four year corporate plan to cover the period 2007 to 2011 which sets out new key priorities and core values. The new key priorities are:
- prompting sustainability and tackling issues of climate change;
  - cost effective recycling;
  - enhancing the visual appearance of the local environment;
  - tackling anti -social behaviour;
  - enhancing services for young people; and
  - championing health service improvements.
- 39** The supporting service and financial plans will be agreed in early 2008 and this should provide a solid base for improvement planning. Staff have been appropriately engaged with the development of the new priorities through internal communication events and they have received a copy of the corporate plan and customer charter booklet. These arrangements have been undertaken to help ensure personal commitment to the new priorities.

## **14 Annual Audit and Inspection Letter | How is Epsom and Ewell Borough Council performing?**

- 40** These new priorities reflect national priorities such as sustainability, ongoing community concerns related to anti-social behaviour as well as the need to improve service weakness such as the level of recycling and composting. The Council has a solid track record of improvement despite significant resourcing restraints both financial and human. It has exceeded efficiency targets and made effective use of resources. A new team strategy has been drafted, is undergoing consultation with staff and approval for the strategy will be sought early in 2008. As a result of these plans, and as reported last year, there are no significant weaknesses in the Council's arrangements that would be a barrier to improvement.

### **Service inspections**

- 41** There have been no service inspections since the 2006 Annual Audit and Inspection letter.

## The audit of the accounts and value for money

- 42 We have reported the issues arising from our 2006/07 audit to the Standards and Audit Committee. We have given:
- an unqualified opinion on the Council's accounts;
  - our conclusion that the Council's arrangements to secure value for money are adequate; and
  - a report on the Best Value Performance Plan confirming that the Plan has been audited and that the plan contains the information specified by the government.

### Use of Resources

- 43 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).
- 44 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas. The scores are unchanged since last year and are shown in Table 1 overleaf.

**Table 1**

<b>Element</b>	<b>2007 Assessment</b>
Financial reporting	3 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
Overall assessment of the Audit Commission	3 out of 4

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

### **The key issues arising from the audit**

- 45 Whilst the Council's overall Use of Resources score is unchanged from the 2006 assessment, this needs to be seen in the context that the 'test' has become harder as higher standards are demanded by the key lines of enquiry. The key issues arising from the audit, as reflected in the above judgements where appropriate are set out in the following paragraphs.

#### **Financial reporting**

- 46 The Council has maintained its strong track record in preparing and publishing its annual accounts efficiently and once again it met the internal and statutory deadlines set. Even though the Council faced exceptional one-off pressures this year due to the implementation of new financial systems and significant changes to accounting requirements introduced by the new SORP, a set of good quality accounts and working papers were prepared. There were a small number of errors in the draft accounts which we audited and the Council is reviewing its quality control arrangements for 2007/08.
- 47 We have previously recommended that reminders for entries on to the Register of Interest should be made annually and all members should be required to make an annual return. A number of records had not been updated since 2003. In the absence of a positive declaration each year there is a risk that declarations of related party transactions, as required by Financial Reporting Standard 8 (FRS8), could be incomplete.
- 48 It is particularly important in an election year to ensure that declarations are made by outgoing and incoming councillors. Moreover the Council should note that the requirements of FRS8 are broader in scope than simply declarations of interest and ensure its arrangements are compliant.
- 49 The Council applies good practice by publishing summary financial information as part of its 'Borough In-sight' magazine.

### Financial management

- 50 The Council is currently working towards incorporating joint plans in financial terms that have been agreed with partners and other stakeholders into the financial plan. Budgetary control arrangements are generally clear and well understood and appear to work well in practice. Further development is required to effectively monitor the Performance Indicators within the Asset Management Plan.

### Financial standing

- 51 The Council has a good track record of meeting its financial targets. In 2006/07 it projected that it needed to use around £400,000 of its reserves in order to maintain a balanced financial position. In fact the actual use of reserves was much lower at £257,000.
- 52 In 2007/08 the Council forecasts that it will again meet its financial targets. An estimated contribution of around £150,000 will be needed from general reserves. The final draw on reserves is expected to be less than the original budget of £370,000.
- 53 At the end of 2006/07 the Council had £3.8 million of general reserves. This is a healthy level of reserves for a district of Epsom's size. However the balance has been reducing over time, as shown in Table 2. The use of reserves to achieve financial balance is not sustainable in the longer term.

**Table 2      Level of General Reserves**

Year	Closing balance of General Reserves
2003/04	£4.5 million
2004/05	£4.1 million
2005/06	£4.0 million
2006/07	£3.8 million

*Source: Council's Statement of Accounts*

- 54 The initial budget forecast for 2008/09 was a shortfall of around £550,000 with £250,000 of cost savings or new income required. However the Council has now set a balanced budget for 2008/09, without the need to draw on reserves.
- 55 The financial outlook beyond 2008/09 is challenging. The Chancellor's pre-budget report on 9th October set out an average increase for local government of 1 per cent in real terms, along with an expectation that councils will achieve 3 per cent year on year efficiency savings.

- 56 While the full implications of this are still being worked through it is clear that the Council will need make difficult decisions, to identify further savings and closely monitor their implementation, if it is to maintain its good record of financial balance.

### **Internal control**

- 57 The Council is continuing to develop its risk management arrangements, with increased involvement and awareness from members in 2006/07.
- 58 A good internal audit service is in place, which complies with the CIPFA internal audit standards. We reviewed a sample of internal audit's files in 2006/07 and found them to be timely and well documented.
- 59 We have liaised closely with internal audit during the year and agreed a working protocol with them, with the aim of minimising duplication and delivering our mutual responsibilities in an efficient way. In July 2007 we gave a joint presentation to the Council with internal audit to raise awareness of our different roles and responsibilities
- 60 In April 2007 the Council introduced new ledger and financial systems, including a new payroll system. At the time of the changeover we raised concerns that bank reconciliations were not taking place on a regular and timely basis and this is still being addressed. During our 2007/08 we plan to review the new systems and consider whether a sound system of internal control has been maintained.

### **Value for money**

- 61 The Council continues to demonstrate that it achieves good value for money with generally above average service outcomes, average service costs and at comparatively low cost to residents. It has a well managed capital programme that has delivered major projects within time and budget and which demonstrates the effectiveness of the Council's project management arrangements.

### **Changes to the methodology in 2008 and 2009**

- 62 The key lines of enquiry for 2008 reflect some of the changing priorities for councils as they respond to the major challenges facing them and the higher expectations of them. They give more emphasis to areas such as sustainability, working in partnership and using IT to secure service and value for money improvements, strategic asset management and joint procurement.
- 63 We have redesigned our approach to use of resources judgements in order to put value for money at the heart of the assessment and to emphasise the importance of organisations achieving improved value for money outcomes for local people.
- 64 For the 2009 assessment it is proposed that there will be a single, annual judgement on value for money in the use of resources and it will be based upon the evidence from three themes scored by the auditor on managing money, managing the business, and managing other resources. It will give particular emphasis to the value for money outcomes being achieved.

### **Best value performance plan**

- 65** We are required to issue our statutory audit opinion and certificate on the Best Value Performance Plan (BVPP) - or similar document - under section 7 of the Local Government Act 1999. We issued an unqualified opinion and certificate on the 2006/07 BVPP in December 2007.

### **Data quality**

- 66** The Council has sound arrangements to support good quality data. This resulted in a score of 3 out of a possible 4. There is a high-level commitment to data quality and over the last year the Council has further strengthened its arrangements through its new data quality strategy and supporting guidance. This has helped to ensure that members and officers are clear about the arrangements.
- 67** There are robust systems to produce good quality data and those systems are subject to internal control and validation. The Council uses its performance information to drive service improvement.
- 68** We reviewed a sample of performance information in order to test the effectiveness of the Council's arrangements to secure data quality. This performance information was fairly stated, underpinned by good systems and supported by robust audit trails.

### **Audit of Grant Claims**

- 69** In general our audit of the Council's grant claims went well. However we did find a number of errors during the audit of the Housing Benefit and Council Tax Benefit grant claim. Although these were relatively small in value at £14,000 (out of a total benefits claim value of £13,536,943) this meant that we had to issue a qualified opinion on this claim.

### **Additional services**

- 70** There was no additional work carried out under section 35.

## Looking ahead

- 71 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 public services in 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.
- 72 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 (see above).
- 73 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

- 74 This letter has been discussed and agreed with the Chief Executive and the Director of Finance. A copy of the letter will be presented at the Strategy and Resources Committee on 1 April 2008. Copies need to be provided to all Council members.
- 75 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.

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**Table 3      Reports issued**

Report	Date of issue
Audit and inspection plan	March 2006
Interim audit memorandum	August 2007
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Review of data quality	October 2007
Opinion on the Best Value Performance Plan	December 2007
Use of Resources feedback	December 2007
Annual audit and inspection letter	March 2008

- 76 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

- 77 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.

**Nick Ward**  
**Relationship Manager**

March 2008