

Annual Audit and Inspection Letter

March 2008



Annual Audit and Inspection Letter

Vale of White Horse District Council

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

- Auditors are appointed independently from the bodies being audited.
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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 Over the last year the Council has maintained its momentum and made good progress in delivering improvement. It has clarified its aims and objectives and improved its service planning and performance management framework. Organisational capacity is now substantially more developed through new structures and improved processes. The Council's organisational development programme now fully underpins the improvement agenda and is clearly focused on challenging and supporting services to deliver improved outcomes.
- 2 The Council recognises that it has yet to ensure that all of its priorities are supported by clear and specific outcome based targets and to clarify the outcomes of organisational development actions in terms of visible improvements the community would recognise.
- 3 The Council has achieved an improved Use of Resources score this year as a result of an improved balance between service quality and costs and greater rigour around its financial standing. The improved value for money score has been the result of focused and concerted effort over the last few years. These improvements are being achieved in the context of one of the lowest council taxes in the country and are something that the Council should be proud of.
- 4 The Council is achieving strong performance on the Audit Commission's basket of key indicators relative to others. However, there is still scope to improve performance in important indicators that deteriorated over the year and are performing at below average levels such as those related to revenues and benefits and cleanliness.
- 5 Our Governance Report raised some issues around the way in which the Council responded to changes with the local government 'SORP', which dictates the format of the financial statements. Further changes are required for 2007/08, and this will need to be well planned.
- 6 Significant issues were highlighted for improvement within the statement of internal control, together with the Council's action plan for addressing them. With the broader Annual Governance Statement required for 2007/08, it will be important to ensure that this is considered in a wider forum than just the Finance Department.
- 7 The Council has been innovative in pursuing joint financial services contracts with South Oxfordshire District Council and a private provider. However, the arrangement with the contractor is not yet delivering the improvements it is designed to and there have been dips in performance and internal control. The issues are well recognised by the Council. The Council now needs to ensure that planned actions to address concerns are delivered.

Action needed by the Council

- 8 The Council has sustained focus and done much to clarify and further its objectives. This clarity of purpose has improved cohesiveness across the organisation and makes the organisation well placed to further improve its performance. The Council now needs to strengthen that focus and ensure that expected outcomes for the community are clarified and delivered particularly in weaker areas.
- 9 The Council should monitor the outcomes of the Improvement plan agreed with Capita to make sure it delivers the service improvements anticipated.
- 10 Plans need to be made and achieved to meet the changed requirements for both the financial statements and the new Annual Governance Statement.
- 11 Looking ahead, the Council and its partners need to work closely together over the next year to ensure that they are ready to meet the expectations of the new Comprehensive Area Assessment (CAA) performance assessment framework. The CAA will focus on the future prospects for local areas and the quality of life for people living there, and will emphasise the experience of citizens, people who use services and local taxpayers. It will therefore assess the effectiveness of local partnership working.

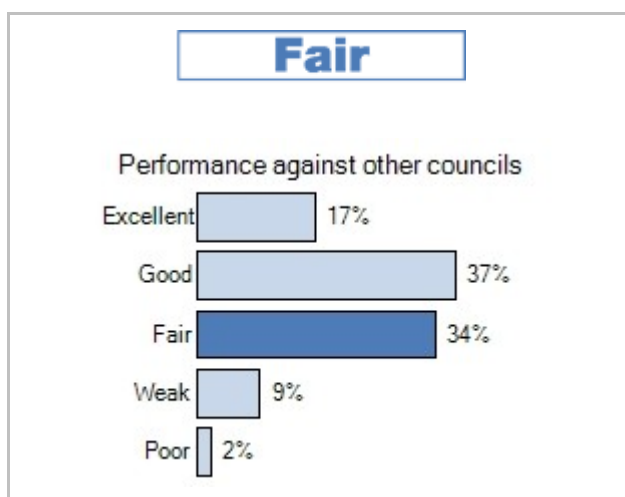
Purpose, responsibilities and scope

- 12 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.
- 13 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.
- 14 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. In addition the Council is planning to publish it on its website.
- 15 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.
- 16 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. There were no such inspections in 2006/07.
- 17 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 Vale of White Horse Council performing?

- 18 Vale of White Horse District Council was assessed as Fair in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now updating these assessments, through an updated corporate assessment, in councils where there is evidence of change and the council has requested it. Vale of White Horse Council has not requested re-categorisation. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

Direction of Travel report

What evidence is there of the Council improving outcomes?

- 19 Based on the Audit Commission's basket of key indicators, the Council is achieving strong performance relative to others. Some 37 per cent of indicators are in the best 25 per cent performance nationally, and 67 per cent are above average. Furthermore, satisfaction with the Council and its key services is high. However, for the second year, the Council's rate of improvement is below the average range for district councils and one of the lowest nationally. While we acknowledge the difficulties of improving indicators that are performing strongly, there is still scope to improve performance in important indicators that deteriorated over the year and are performing at below average levels such as those related to revenues and benefits and cleanliness.

- 20 More detailed analysis of the Council's performance in delivering local and national priorities is set out below.

Creating a cleaner, greener, safer and healthier community and environment

- 21 Overall, the Council's services are making a good contribution towards this broad agenda, although performance in some areas is mixed.
- 22 Performance in managing waste remains strong. Recycling and composting rates are continuing to improve and due to an expansion of the Council's Brown Bin service, rates of composting in particular have improved significantly and are currently exceeding end of year targets for 2007/08. The amount of waste collected remains low, at levels of the best 25 per cent of councils and more households in the district are served by kerbside collections following an increase in mini recycling centres.
- 23 The planning service is also continuing to improve and customer satisfaction levels are high. It exceeded development control targets in all three categories, improving performance in determining both 'major' and 'minor' applications, although performance in determining 'other' applications remained below average. The number of planning decisions overturned remained low and at levels of the best performing councils and the Council's planning service checklist score improved from the worst 25 per cent of councils to above average.
- 24 Performance in improving standards of cleanliness and street scene is mixed. Satisfaction with the cleanliness of public spaces improved on 2003/04 levels and levels of graffiti and flyposting remained low. However, the Council took longer to deal with abandoned vehicles than last year, and did not achieve its target performance (although overall numbers remained low) and the percentage of significantly littered land increased. The Council has commenced a co-ordinated programme to address 'grot spots' and is implementing a Joint Improvement Plan with the Council's waste, recycling and street cleansing contractors to improve performance. Half year reporting indicates that there has been a significant improvement.
- 25 Some progress is also being made around air quality in Abingdon and Bottley, although relative priorities and financial constraints mean that this taking time to come through.
- 26 We discuss actions falling within the 'safer' and 'healthier' agenda in our later section on 'wider community outcomes'.

Working with partners to help facilitate the provision of affordable housing

- 27 The Council is increasing the supply of affordable housing in the district. It returned 67 vacant properties back to use in 2006/07, which included 61 properties that were acquired for households through rent deposit schemes. It provided a further 42 units of affordable housing, which was considerably less than planned. This was largely because of the number of earlier than anticipated completions that fell into the previous year's total and some delayed starts. However, the Council had completed 133 affordable units up to the end of December and is on track to exceed its year end target. It is also on target to exceed its contribution to the Oxfordshire LAA stretch target for affordable housing.
- 28 The Council's investment in homeless prevention is delivering positive outcomes. During 2006/07 housing advice casework was successful in providing solutions for more households and fewer households made repeat homeless applications. This suggests that the solutions found for homeless people are practical and sustainable. As a result, the Council is reducing the number of households in temporary accommodation - and is on track to meet its government reduction target three years early. However, compared to other councils, households still spent too long in temporary accommodation, although data up to the end of December 2007 shows that this is also reducing.
- 29 Performance indicators relating to the Council's Housing Benefit service showed a marked deterioration during the year. The Council has attributed this to the systems conversions required as part of the transfer of the Revenues and Benefits service to Capita during the middle of 2006 but also to having previously over-stated some aspects of performance. The Council has agreed an Improvement Plan with Capita and more recent data for 2007/08 shows some improvement, although the Council will not meet its year end targets.

Wider Community Outcomes and access to services

- 30 The Council is working with its Crime and Disorder Reduction Partnership (CDRP) to reduce crime and fear of crime in the district. During 2006/07 British Crime Survey (BCS) reported crime reduced by 4.5 per cent against the 2003/04 baseline. There were reductions in three out of six of the BCS categories reported in the Audit Commission's basket of crime indicators and the numbers of burglaries, robberies and motor vehicle thefts were all below average levels. However, for the CDRP, violence against the person and sexual offences increased during 2006/07 to levels of the worst 25 per cent for the family of community safety partnerships defined as similar by the Home Office. More recent data shows an 8.1 per cent reduction in overall crime and continued reduction in most of the CDRP crime categories. The Council's work through 'Nightsafe' - a multi-disciplinary approach aimed at reducing alcohol related crime and anti-social behaviour, has now been rolled out across the Council's three market towns and is considered to be contributing to the recent fall in levels of common assault.

- 31 Last year we reported that the Council's progress in delivering the 'healthy' theme of its 'cleaner, greener, safer and healthy' corporate objective had been mixed and that delivery of some priority outcomes had slipped. By the end of 2006/07 there was still little evidence of outcomes that the community would recognise as most of the Council's priority actions related to developing or reviewing plans and strategies. Work has progressed during the current year to clarify the health agenda and this has culminated in a draft Health Improvement Plan that is currently being consulted upon. The draft plan seeks to recognise and optimise the contribution that the Council's services and projects make towards improving the health of people living and working in the Vale. With further refinement, including key actions and SMART targets, this has the potential to provide an effective framework for planning, delivering and monitoring actions towards achieving improved health outcomes that has previously been absent for this agenda. Furthermore, the development of the draft plan, in consultation with Oxfordshire Primary Care Trust, helps to enhance joined health and well-being planning and provision across the county as a whole.
- 32 During 2006/07 and the first half of 2007/08 the Council has accelerated delivery of its priority actions around improving customer focus and consultation, extending access to services and promoting diversity. Work on equalities and diversity has gained strong momentum and the Council has introduced and updated some important strategies to improve its approach. It has adopted an equality and diversity scheme, corporate equalities action plan, and is on target to complete its programme of equality impact assessments on key services by the end of the financial year. Equalities considerations have also been built into key corporate and planning processes and mandatory training made available to staff and councillors. These improvements provide a solid framework to enable the Council to make up lost ground in delivering the equalities agenda.
- 33 The Council has progressed plans to improve and modernise access to services. It has increased the number of its buildings that are suitable for and accessible to disabled people from 83 per cent to 100 per cent. It has recently developed a Payment Strategy that is focused on providing better value for money, and improving customer access by increasing the range of payment routes available. It has also re-launched the Council's website following improvements to accessibility and usability. Work has progressed to identify additional services and processes to transfer to the Council's contact centre, although it is too soon to identify any tangible improvements to customer service from this.
- 34 The Council is progressing its plans to improve internal and external communication. Internally, the Council has responded to issues identified in its staff MORI survey and has made improvements to Team Brief, staff newsletters and briefings that have strengthened two way communications between staff, managers and the senior management team. It has recently agreed its consultation strategy which incorporates a comprehensive action plan, including actions to engage with hard to reach groups. We have highlighted concerns about the Council's limited progress with consultation in the past, so we welcome this as an important step towards ensuring that consultation becomes embedded in the Council's every day business and is routinely used to shape and improve services.

Value for Money

- 35** The Council is achieving better value for money. This is reflected in the improved value for money score and overall Use of Resources score, which increased from level '2' to '3'. The Council's overall costs remain low compared to other councils and generally expenditure is average or below average for key services, showing comparatively lower spend than last year. At the same time, performance has been sustained or improved in some key services, and satisfaction levels are high. It has also continued to strengthen its approach to managing value for money. For example it has improved monitoring of its planned efficiencies by incorporating Service Prioritisation Plans (initiatives agreed through the budget process to deliver up efficiencies) within its quarterly corporate monitoring arrangements.
- 36** The Council has continued to seek out ways to improve value for money through effective partnership and procurement. The shared financial service arrangement with the Vale of White Horse, for example, is designed to provide a more efficient and cost effective means of delivering financial services such as internal audit, and is already delivering improvements. However, problems with the implementation of the contract with the external provider, Capita, mean that this is not yet delivering the service improvements to the revenue and benefits service that it promised. However, the Council's innovation in setting up the contract with Capita, linked to the requirement to deliver top quartile performance, provides a strong basis for future improvement

Robustness of the Council's plans for improvement and effectiveness of improvement planning.

- 37** Actions during 2006/07 to clarify aims and objectives and strengthen links to service plans and appraisals have led to clear improvements to the Council's improvement plans and service planning framework and these are reflected in 2007/08 corporate documents. The Council has also responded well to our recommendations from the recent 'Securing Improvement' report by ensuring that actions from its Organisational Development programme are supported by clearer anticipated outcomes and accountability for delivery within its 2008/09 plans. However, it remains that not all of the Council's priorities are supported by clear and specific outcome based targets and it is unclear what some actions have achieved or are intending to achieve in terms of visible improvements for the community. This has been a long standing weakness in the Council's plans and one that continues to be an area for improvement.
- 38** The Council has also improved its performance management arrangements. It has streamlined quarterly corporate governance reporting and included additional monitoring of business improvement initiatives. This means that members and senior officers are better focused on monitoring delivery of the Council's key objectives and milestones and value for money. However, the performance management arrangements underpinning the Council's contribution to the Oxfordshire LAA and Oxfordshire Sustainable Community Strategy are not clear for all themes, as not all targets to which the Council is contributing feature in service plans or monitoring arrangements.

- 39 During the year, the Vale Partnership has commenced a review of its Community Strategy and development of its Local Development Framework - two key policy documents that will shape the future of the Vale over the next 20 years. To date, the Council has published a joint 'Issues and Options' report that forms the basis for consultation and debate. It is clear from the Council's approach so far that the Community Strategy and the LDF core strategy are being developed in tandem to ensure spatial and community considerations are aligned. This approach provides assurance that the Council and its partners are pursuing a co-ordinated approach to identifying the key issues and challenges for the future in the Vale and the actions needed to address them.
- 40 The Council is generally effective at implementing its improvement plans, in terms of achieving its key objectives and milestones and it achieved the majority of its priority actions during 2006/07. Those actions that were not implemented to timescale were mainly around communications and customer access, the reasons for which being linked to the capacity issues highlighted last year. These actions have been carried over into 2007/08 and are now progressing.

Capacity to deliver improvement plans

- 41 Performance indicators relating to people and capacity show strong performance. Levels of sickness absence, ill health retirements and employees with disabilities and from BME groups are all at levels of the best performing councils.
- 42 During 2006/07 and the first half of this year, the Council has accelerated its work to improve capacity and our recent 'Securing Improvement' report acknowledges this. It concludes that the Council's organisational development programme now fully underpins the improvement agenda and is clearly focused on challenging and supporting services to deliver improved outcomes. It found that improvements in capacity were particularly manifest in the level of senior commitment and leadership now being shown and the clearer links between the corporate plan and all portfolio holders. This clarity of purpose was found to be contributing to better understanding, trust and cohesiveness throughout the organisation, which in turn was leading to a more inclusive approach and ensuring that managers and team leaders were being given opportunities to develop both their own skills and those of their staff. However, our work identified that there were still some managerial skills gaps for the Council to address, particularly for taking a more commercial and business-orientated approach through procurement, partnerships, contract and project management.
- 43 The Council is enhancing its capacity to deliver its business objectives through improvements to its HR function. It has implemented a number of actions aimed at transforming HR from an employee focused service to that of a strategic business partner. The service has been restructured to facilitate this change in focus and a number of actions aimed at strengthening the strategic role of the service and improving efficiency have been implemented, with further actions planned over the current year.

The audit of the accounts and value for money

- 44** As your appointed auditor I have reported separately to the Audit and Governance Committee on the issues arising from our 2006/07 audit and have issued a governance report including:
- an unqualified opinion on your accounts on 28 September 2007;
 - a conclusion on your vfm arrangements to say that these arrangements are adequate except for the arrangements to maintain a sound system of internal control on 28 September 2007; and
 - my report on the best value performance plan confirming that the Plan has been audited.

Use of Resources

- 45** 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).
- 46** For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

Element	Assessment
Financial reporting	2 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	2 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

Accounts

- 47 As in previous years the Council worked well with auditors to achieve a good accounts process with generally prompt and accurate responses. However, as reported in our Annual Governance report, issued in September 2007, there were a number of material amendments to the accounts. The changes to the Statement of Recommended Practice 2007 (SORP) presented challenges to Vale of White Horse, as it did to many councils. There are further changes to be made to the Statement of Recommended Practice in 2007/08 and it is important that these changes are fully anticipated.
- 48 As part of the accounts process we required full disclosure of the concerns around internal financial control with respect to the recent financial services contracts. The final SIC contained details of the concerns with an action plan to address them. It is essential that the weaknesses are addressed promptly.
- 49 The SIC is being replaced by an Annual Governance Statement which is much broader in remit. This will require input from departments across the Council (not just Finance as has been the case for the SIC), and will need to be carefully co-ordinated if the deadlines are to be met.

Data Quality

- 50 The Council demonstrates clear commitment and accountability for data quality as part of its overall approach to performance management. The Council does not have a corporate data quality policy but it does have clear guidance and procedures that set out its expectations and the processes that should be followed for collating and reporting BVPIs and local performance indicators (LPI's). Arrangements are well supported by the Principal Performance Management Officer, widely communicated and apply to all sections of the Council. The Council could enhance their approach further by formally defining corporate objectives for data quality, agreeing actions for improvement and an associated delivery plan within a corporate data quality strategy and policy.

Use of Resources

- 51 The Council has achieved an improved overall score this year as a result of an improved balance between service quality and costs. This has been the result of focused and concerted effort over the last few years. In 2006/07 the Council's overall costs remained low compared to other councils and generally expenditure was average or below average for key services, showing comparatively lower spend to the previous year. At the same time, performance was sustained or improved in some key services and satisfaction levels are high. These improvements to value for money are being achieved in the context of one of the lowest council taxes in the country and are something that the Council should be proud of.

- 52** In addition we noted some other improvements in the year:
- production of summary accounts;
 - publication of the previous two years' Audit and Inspection Letters; and
 - articulation of the minimum level of general fund balances that will guide members in making key financial and service decisions.
- 53** The improvements noted above have resulted in an improved overall score but the Council needs to both maintain its improvement journey and address some of the weaker areas. In particular areas for improvement are as follows.
- Promote greater external accountability by consulting stakeholders on whether an annual report should be produced and making the summary accounts more user friendly.
 - Develop the narrative that reviews budget position alongside service performance to link the two.
 - Refocus and strengthen risk management in relation to reports to members, risk champion roles and refreshing training.
 - Complete an assurance framework to support the Annual Governance Statement.
 - Roll out the VFM service assessment framework to all key services and extend benchmarking and cost analysis.
 - Improve control over the new financial services contracts to ensure that they deliver the value for money improvements expected, risks are effectively managed and financial procedures are drafted and followed to support internal control.

Looking ahead

- 54 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.
- 55 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.
- 56 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

- 57 This letter has been discussed and agreed with the Chief Executive and the Strategic Director (Chief Financial Officer). A copy of the letter will be presented at the Executive on 4 April 2008. Copies need to be provided to all Council members.
- 58 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.

Table 2 Reports issued

Report	Date of issue
Audit and inspection plan	March 2006
Securing Improvement	January 2008
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Annual audit and inspection letter	March 2008

- 59 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

- 60 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Maria Grindley
Relationship Manager

March 2008