

Annual Audit and Inspection Letter

Oxford City Council

Audit 2007/08

March 2009

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Status of our reports

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

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

- 1 Oxford City Council has shown a robust and focused approach to improvement over the last year, in line with its priorities. The Council has, in its new vision statement, set an ambition to be world class for everyone and has acknowledged that this means that it needs to transform itself by improving value for money (vfm) and service outcomes.
- 2 Through strengthened collective leadership it has displayed greater ambition and vision. It has made some bold decisions that are helping achieve better value for money and has an improved emphasis on partnerships. An extensive and well-managed restructuring means that it is in a much stronger position than a year ago, and has established a strong improvement track record and the capacity to develop further.
- 3 Among some extensive and impressive actions, it has reduced its running costs by 25 per cent (£7.1 million) over 2 years, without detriment to services. It is committed to sustaining this pace, with radical plans for 2009/10 to transform its front-line waste, street cleaning and parks services, while saving a further £4.5 million. Its priorities are better focused, with more systematic processes helping assure its delivery. The Council's confidence and self awareness have improved markedly, and it recognises that some crucial developments are still needed; including coordinating strategies; more realistic, challenging and outcome-focused target-setting; and stronger data quality to support its knowledge and decision bases. The Council has committed itself to further improving its staff management and its work on equalities and diversity.
- 4 In reporting its finances, the Council's 2007/08 accounts were qualified due to the omission from the financial statements of an accurate reconciliation of the cash flow statement. This is a requirement of the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP).

Action needed by the Council

- Increase value for money further, including by:
 - consolidating the skills and understanding needed to achieve it;
 - putting equality and diversity at the heart of service change;
 - better integration of performance and financial management information;
 - strategic approaches to asset management and income fees and charges;
 - delivering the promised and significant improvements in leisure services;
 - market testing the waste, street cleaning and parks service group;
 - following through with other transformational service reviews; and
 - continued collaboration to deliver the Oxfordshire Local Area Agreement.

- Secure an improved range of customer services by
 - responding to the needs and feedback of all community members, including those that are vulnerable and from hard to reach groups; and
 - delivering the promised customer service systems.
- Improve governance further by
 - continuing cross-party working
 - strengthening and consolidating the connections between consultation, corporate priorities, detailed strategies and service actions;
 - improving risk management further;
 - rigorous challenge and improved learning;
 - better target setting and data quality; and
 - effective area management, including for community engagement.
- Making sure its own workforce and workforce management are fit for purpose, including by
 - improving management capacity and capability; and
 - implementing single status staffing arrangements.
- Improve financial management, including by ensuring that
 - the draft financial statements are subject to robust scrutiny by councillors and senior managers;
 - sufficient resources are devoted to providing an accurate reconciliation of the cash flow statement; and
 - an appropriate assurance framework is in place throughout the organisation that fully supports the Annual Governance Statement.

Purpose, responsibilities and scope

- 5 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 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 6 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.
- 7 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).
- 8 Your appointed auditor, Maria Grindley, is 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, she reviews and reports 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.
- 9 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.
- 10 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Oxford City Council performing?

The improvement since last year - our Direction of Travel report

- 11 Oxford City Council has shown a robust and focused approach to improvement over the last year, in line with its priorities. Through strengthened collective leadership it has displayed greater ambition and vision. It has made some bold decisions that are helping achieve better value for money and has an improved emphasis on partnerships. These actions are important in sharpening the Council's ability to serve the people of Oxford, now and in the future. An extensive and well-managed restructuring saved £1.5 million and means that the Council enters 2009/10 in a much stronger position than a year ago. It has established a strong improvement track record and the capacity to develop further.
- 12 Service improvements are in line with those in other similar councils. Nearly 50 per cent of its performance indicators (PIs) improved in 2007/08: and while this places it well below the average achieved by other councils (351st of 388), it has matched a steady improvement trend with a radical approach to cost reduction. Other changes put it on track to further improve the value for money of its services. Its investment in change is important, as despite its increasing improvement, its overall performance still lags behind that of the best performers.

Report on priorities: the Council's progress in improving outcomes

- 13 The Council published its corporate plan for 2008/11 in summer 2008. It gave new emphasis to existing priorities, setting some specific targets to achieve in 2008/09. We comment below on five of the Council's priorities, including on achievements for the wider community. We report on the Council's sixth priority in paragraphs 29 to 34, in our commentary on the Council's improvement plans.

More housing, better housing for all

- 14 The Council has shown good leadership and delivery in its housing priority. Our strategic housing inspection of August 2008 (reported in more detail in paragraphs 35 to 40) affirmed strengths in its approach to the many pressures of Oxford's overcrowded and high-cost housing market. And it has made steady progress since then: showing responsiveness to challenge and the ability to act on the recommendations of external reviews in a steady and systematic fashion. As an example, the Council set itself clear targets to provide three times more affordable houses in 2008/09, compared with the 56 of the previous year, and is ahead of schedule and likely to exceed this by delivering over 250. It helped 76 homeless people to find suitable homes, exceeding its target to reduce the use of temporary accommodation. It has also been successful in securing funds to further improve local people's housing choices, building on an existing county-wide partnership that helps people find the accommodation that best suits their needs. The Council enforces good housing for all: for example, in

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prosecuting unsatisfactory private sector landlords, and taking the first steps towards an accreditation scheme.

- 15 As a landlord for just under 8,000 tenants, the Council improved its houses further and is on track to make sure that by 2010 all its tenants live in homes that meet national minimum standards. In 2008 it responded more quickly to its tenants' emergency need, and is now one of the best performers nationally in the speed of urgent housing repairs. It has also reduced the need for these more costly urgent repairs, maintaining a steady balance between this and planned maintenance. Its housing estates are better-maintained, although tenants still wait much longer for routine maintenance when compared with those living in similar houses elsewhere. Other important features of the Council's approach include the positive way it involves its tenants in decisions that affect them and initiatives such as money and employment advice.

Stronger and more inclusive communities

- 16 The Council's commitment to social inclusion is evident in its renewed focus on city regeneration. It is making progress on both flagship city-centre schemes like the Westgate development and smaller, more local, community initiatives. This balance is important to Oxford's diverse nature. The Council's actions reinforce its vision to develop a high quality, international city while strongly supporting disadvantaged neighbourhoods; such as Cowley, where it opened a one-stop shop to provide better access to a range of Council services. The Council changed its emphasis in 2008, to embrace the concept of a city that is part of a wider sub-region. It is stepping up to new roles that reach beyond the city's boundaries – interacting with other Oxfordshire councils and regional improvement agencies – and working beyond traditional council roles.
- 17 The Council showed strengthened community leadership in 2008. It focused on cohesion, helping achieve this through some well-established consultation and other examples of commitment to community engagement. An example is the way it helped community and voluntary groups build their capacity, by making changes to its £1.6 million grants scheme in 2008. Through consultation, it is developing more open commissioning and grant-giving processes, emphasising priority themes as well as the needs of those small organisations wanting to learn how best to respond to their constituents' needs. Focus on good social integration is also evident in the way the Council has encouraged several local community centres to apply for 'VISIBLE' status in 2008 (a national award for well-run centres), as part of its commitments to stimulate local regeneration. This is particularly important in more disadvantaged communities, and the Council's actions aim to make sure local people have access to well run centres, that play valued, respected roles and extend their welcome to all.
- 18 Other priority initiatives to tackle social inclusion continued, but did not reach their targets or full potential however. A benefits take-up scheme provided £44,000 of unclaimed income but fell short of the number of people it was intended to reach. During 2008, the Council implemented a new national concessionary bus pass scheme, playing its part in publicising and managing this locally..
- 19 The Council has made other progress with improved access, but still has much more to achieve from its plans to improve customer contact in 2009/10 and has not yet made sure that it seeks and uses feedback systematically. In 2008, it improved its website,

regularly reporting on its own and partner schemes that support local people and adding a 'click-to-listen' facility that lets people hear the website content. It also collaborated with partners to produce the city's first 'Disability Directory'. The Council appears to have improved its benefits service, by processing new claims quicker (down from 28 to 22 days), but it is still among the slowest nationally in responding to changes of circumstance. These results are uncertain, however, as its benefits data collection for 2007/08 was poor in quality and therefore excluded from national comparative PIs.

Improve the local environment, economy and quality of life

- 20 Some good progress is evident in this priority, where the Council's actions focus on parks and leisure, streets and recycling. In April 2008, all parks were registered under the ISO 9001 quality standard, which requires the Council to meet systematic customer standards and expectations. Florence Park was the third of the Council's parks to gain green flag status¹. Over the summer, the Council invested in improved outdoor play facilities, as part of a 3-year refurbishment programme. Its performance in managing litter, fly-posting and graffiti compared unfavourably with other councils during 2007/08, and it has been putting some efforts into improving this in 2008. It is on track to make sure 90 per cent of its streets meet national standards and has plans to improve further.
- 21 Councillors have worked effectively across party-political groups to give challenge and support to West End regeneration, working with partners and community groups to help deliver affordable housing, jobs and improved retail and cultural opportunities in the city centre; for example, with the reopening of Bonn Square in November 2008. The Council's work in regenerating Underhill Circus, in the north east of Oxford, gained a Preservation Trust award, involving the local community in the redesign. Although the planning service is a strong partner in both regeneration and conservation, some of its performance is more mixed. The Council lost over 40 per cent of its planning appeals in 2007/08, which is poor vfm and among the worst nationally. Its speeds in deciding planning applications remain inconsistent and below those achieved by other councils.

Reduce crime and anti-social behaviour

- 22 The Council and its partners overall impact on all crime in the last year is unclear, as crime across Oxford has been increasing by an average of 4 per cent (in contrast with the marked reductions achieved in previous years). Oxford's 2008 crime rate was also above the average for comparable areas. In terms of the specific types of crime prioritised by the Council and its partners (assault, including domestic violence, and anti-social behaviour), some of these rates have been rising within these overall figures. This may mean that the Council's actions to publicise risks and raise awareness have resulted in better reporting. Similarly, the partners' attention to anti-social behaviour is intended to reduce more serious violence: the data indicate some success in this, with serious wounding reducing by 25 per cent in the last year. This context emphasises the need to maintain the focus on evaluation, in order to demonstrate value for money.

¹ The Green Flag Award is the national standard for parks and green spaces in England and Wales. The award scheme began in 1996 as a means of recognising and rewarding the best green spaces in the country

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- 23 The Council achieved some success with its corporate plan objective to reduce alcohol-related crime and violence, through the reduction in serious violence across the city in 2008. The OCSP continued its 'nightsafe' focus on its priority of alcohol-related crime, with the Council working with licensees and promoting public awareness. This is important, as over half of Oxford's older people report feeling unsafe in central and east Oxford after dark. The Council has demonstrated its ability to act with others to address anti-social behaviour, through Oxford's newly-established Neighbourhood Action Groups (NAGs) and with Thames Valley Police (TVP). Although anti-social behaviour has been rising in 2008, local surveys do suggest that the Council and OCSP achieved good impact with changes in community perceptions and confidence in tackling anti-social behaviour. The Council played a clear part in this, by coordinating the teams and their programme, and providing part-funding.
- 24 In terms of injuries from domestic violence, the Council worked with partners from across Oxfordshire in helping re-launch the www.reducingtherisk.org.uk domestic abuse website, which provides victim support. More people reported domestic abuse in 2008. However the Council is unable to track the full success of this, because it is not evaluating the results in terms of reduced injuries, including repeated reporting.
- 25 The Council helped some children and young people feel more positive as citizens, by providing a range of holiday schemes over the summer of 2008. It did so in partnership with voluntary organisations and targeted the investment with good use of demographically-based risk data. Its other citizenship activities included 'community days' in Barton, in response to residents' safety concerns, and working with Muslim communities to build resilience. These provide good examples of the way the Council has been working effectively to focus its regeneration activities on neighbourhood and community needs, strengthening its local presence in response to consultation.

Tackle climate change and promote environmental resource management

- 26 The Council is showing clear leadership in its commitment to reduce its own carbon dioxide emissions. It is on track to achieve its first year's target of a reduction of 800 tonnes, with the launch of a "Getting Our House in Order" programme and actions to shut down computers, cover pools, insulate walls and cut CO2 emissions from Council vehicles. It is also on track to meet its target to distribute fuel poverty grants, which will improve energy efficiency and the health and comfort of residents: although is not able yet to say what impact this is having.
- 27 The Council has encouraged local people to maintain the city's low rate of waste disposal, and to contribute to improved recycling rates where waste reduction has not been possible. Oxford households responded to the Council's encouragement to recycle and compost waste. As a result, recycling improved from 24 to 35 per cent between 2006/07 and 2007/08, and was approaching 38 per cent towards the end of 2008/09. The Council is developing further plans for 2009/10. Meanwhile it has achieved some efficiency savings by changing the way it collects household waste, although more is needed to bring costs down to the levels achieved by others. It planned a food waste pilot for 2008, but has now put back this until 2009/10, to form part of a more comprehensive service review.
- 28 The Council and its partners have made some progress in developing flood responses. A good feature is local consultation, leading to priority-setting based on residents'

concerns, as well as project feasibility. The Council provides a clear newsletter, which offers a voice for local groups to air concerns. Some of the concerns stress the importance of better flood responses, as the Environment Agency assesses the risks as affecting 5,400 homes. This context means that the Council and its partners face a considerable challenge if they are to meet all the flood plain risks and thus the publicity given to this is an important part of the Council's role in helping raise awareness.

The Council's progress and plans to sustain improvement

- 29 The Council has taken some extensive and impressive actions in pursuit of its sixth priority (to 'transform Oxford City Council by improving value for money and service performance'). An important demonstration of this has been its ability to reduce its running costs by 25 per cent (£7.1 million) over 2 years, without detriment to services. Its actions are backed by a more outward focused and SMART¹ corporate plan, and improvement towards systematic processes are helping assure its delivery. Extensive internal change is helping the organisation's staff act with a much more common focus. These things are making real contributions towards future service delivery and tackling the range of challenges facing local public services.
- 30 The Council's confidence and self awareness have improved markedly. This is important, as it recognises that some crucial developments are still needed. These include coordinating strategies; more realistic, challenging and outcome-focused target-setting; and stronger data quality to support its knowledge and decision bases. The Council has committed itself to improving its staff management and its work on equalities and diversity. We cover this in more detail in paragraphs 32 to 34 below.
- 31 During the year we looked at how effectively the Council was working with partners to secure efficiencies and better value for money. This work fed into our vfm conclusion. In the past year the Council has demonstrated a clear commitment to improving vfm through its active engagement in joint procurement, shared services and other collaboration. The Council reinforced this with changes to its organisational structure, corporate objectives, and service delivery. Examples include a shared ICT agreement with Oxfordshire County Council, and a partnership to provide a more cost-effective park and ride service that addresses traffic congestion. The Council has achieved an important attitudinal shift among staff and councillors towards doing things differently.
- 32 Last year, in our March 2008 Annual Audit and Inspection Letter, we set the Council a number of improvement challenges. Its track record with these shows focus and determination, applying limited resources to a significant transformation in ambition and vision. We tested this through the inspections reported below, our use of resources and opinion work (reported in paragraphs 42 to 48), and by performance reviews of asset management; equality and diversity; income, fees and charges and partnership efficiencies. The Council's challenge now is to continue to build an organisation that is fit for purpose to deliver this.
- 33 Progress on four of our recommendations has been strong:
 - **deliver significant improvement in value for money (vfm):** being achieved, with robust actions leading to an improvement in the Audit Commission's March 2008 assessment from 'poor' (level '1') to 'adequate' (level '2') vfm. The Council has

¹ Specific, Measurable, Achievable, Realistic, Timed.

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continued with efficiency savings since then, and has a strong focus on service improvement. It also has ambitious plans to improve vfm further, including a further £4.9 million of savings in 2009/10 and a commitment to market test its waste, street cleaning and parks services. It needs to make sure this extends to strategic approaches to its asset management and income, fees and charges.

- **ensure partnership and political differences are used to create constructive, improvement focused challenge:** being achieved, with evidence of collective, cross-party leadership, underpinned by some good consultation. The Council's leaders have been proactive and collaborative in developing the new Local Area Agreement (LAA) across Oxfordshire public services. The Council needs to consolidate this in depth; for example, in a more strategic approach to maximising the collective and individual impact of its area management.
- **ensure the organisation is fit for purpose, with motivated and successful staff, and embed new structures once executive directors have been appointed:** being achieved through good progress with radically different structures and purpose, and plans for better ICT. The Council is committed to improving its human resource management, equalities and workforce planning arrangements during 2009/10, including with a management development programme. It also recognises that its strategic planning needs strengthening so that priorities are delivered consistently and efficiently - for example, through revised service planning and transformation frameworks.
- **focus on city development and regeneration, coordinating this better and ensuring resources and skills are deployed for effective delivery:** emerging evidence from the Commission's regeneration inspection (see paragraph 41) suggests good progress and achievements on this very important priority for local people. We will report further on this in May 2009. This adds to the Council's strengths in strategic housing management (see paragraphs 35 to 40).

34 The Council's work on our other recommendations from March 2008 shows that each is a clear part of its agenda for continued improvement. It has been making progress in all of them:

- **improve the focus on priorities, and deliver better results for local residents:** the Council now has a much clearer corporate plan, which demonstrates cross-party focus and commitment. It has better processes to support its performance management, including a new Performance Board. Its target setting is not consistently realistic and challenging, however. It can also be difficult to identify and report on the outcomes being achieved for local people because some targets refer to inputs. The performance management framework is underdeveloped in terms of council-wide priorities such as regeneration.
- **deliver on the proposed transformation agenda, to provide a range of better, faster and more accessible customer services at lower cost:** this is now happening, with a contract signed recently for a new CRM (customer relationship management) system as part of thorough preparations for improved customer services from the spring of 2009.

- **improve project and performance management and their use across the organisation, including making better use of benchmarks with the best performers:** the Council's systematic, new corporate boards, and their links with revised procedures for councillor governance, including an effective audit committee, are adding focus. But they are not yet underpinned by strong arrangements to ensure that decisions are informed by consistent and high-quality data, including about service users' experiences and in learning from stronger evaluation. Data are reported regularly through an improved 'Performance Matters' regular report, although this has scope to add to the PI-based reporting to give stronger indications of progress on priorities. At service level, the approach to performance monitoring and management remains inconsistent, with opportunities to learn from good practice. Staff communication is improving, but the lack of effective staff appraisal means that important priorities are not always being reinforced. The Council is improving its project management by training managers and encouraging them to share knowledge about good practice.
- **provide a cost effective leisure service, in line with the needs of local people contributing to agendas such as health and well being:** market testing in 2008 was a significant change in the Council's approach to vfm, and the contract signed with a social enterprise provider in January 2009 has been designed to secure significantly improved vfm. It will be important to make sure this delivers a range of community benefits, and has the flexibility to respond effectively as needs change.
- **fully embed a system of risk management throughout the organisation:** basic assurance levels were secured by March 2008. Since then, the Council has worked hard to develop this further by completing a review of its corporate risks, updating its risk management strategy and continuing a service-level risk review.
- **to accelerate work on diversity, including partnered work on the significant health inequalities experienced by some of Oxford's population:** the Council's has improved its leadership for equalities and diversity, giving it a much higher profile. Some progress has been mixed, and its needs to ensure all managers and teams address this important agenda:
 - the Council has affirmed a clear commitment to address health inequalities in its Local Area Agreement and in the priority given to the city's social, economic and physical regeneration. Other positive examples show it is working constructively with partners in developing coordinated approaches to tackling health inequalities, although in terms of outcomes this is at an early stage;
 - it shows some good community focus, is committed to community engagement and empowerment, and provides services that benefit disadvantaged and vulnerable people. But this is not always well coordinated. The Council is aware of the need to bridge the gap between good activities and a more strategic and comprehensive approach. This is important, as it needs more confidence in the value for money of its investments and in ensuring that it provides equitable and better quality services;
 - progress on some of the organisation's equalities agenda (for example; standards, recruitment, evidence) is more limited and it remains at level '1', the

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lowest, on the national Equality Standard for Local Government¹. It remains at an early stage in making sure its workforce reflects equality and diversity principles. These features weaken the Council's responses to the diverse needs of local people. However, it agreed a Corporate Equality Plan during 2008 and is making sure its current round of service and organisational planning is more specific about addressing the range of potential needs involved.

Service inspections

Strategic Housing Services

- 35** In July 2008 the Audit Commission published its inspection report on the Council's strategic housing services. We assessed the Council as providing a 'good' strategic housing service which has 'excellent' prospects for improvement.
- 36** Services covered by the inspection included homelessness and housing advice, private sector housing and work to deliver new affordable homes.
- 37** The inspection found that the Council and its partner organisations are successfully improving conditions in privately rented housing, reducing homelessness and delivering a high number of good quality affordable homes. Effective steps are also taken to support vulnerable people in their own homes. However, there remains scope to strengthen the approach to diversity and value for money.
- 38** Strengths include:
- Strong and effective partnership working adds to the Council's understanding of the local housing market and the development of effective solutions.
 - A proactive approach to prevention, particularly for vulnerable groups such as single homeless people and rough sleepers, is reducing the number of people who become homeless.
 - Poor conditions in the private rented sector are being tackled proactively with a strong focus on improving the large stock of houses in multiple occupation.
 - A robust planning framework clearly determines the type, tenure, density and affordability of new housing.
- 39** Weaknesses include:
- Information on the needs of diverse groups is not comprehensive and diversity monitoring is not used to shape service delivery in this area.
 - The comparative costs of some strategic housing services are high and the Council cannot yet fully demonstrate value for money in all areas.

¹ NB This national standard for all councils will be replaced by the Equality Framework for Local Government (EFLG) from April 2009. The current Equality Standard has 5 levels.

40 To help the service improve, inspectors made a number of recommendations. These include:

- Develop systems to capture service user feedback across all areas of service and use this to inform future service development.
- Engage more effectively with private sector landlord and their agents.
- Set value for money targets and routinely review the value for money of all strategic housing services.

Regeneration

41 In February 2009 we completed our fieldwork for an inspection of the Council's approach to regeneration. The report from this will be issued in May 2009. This means that recommendations from the inspection are not part of this letter. We will follow up the Council's progress when we report under our future organisational assessment and use of resources frameworks during 2009/10.

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The audit of the accounts and value for money

Accounts

- 42 Your appointed auditor, Maria Grindley has reported separately to the Audit and Governance Committee on the issues arising from our 2007/08 audit and issued:
- an audit report, providing a qualified opinion on your accounts on 8 October 2008. Her report was qualified because the Authority did not complete the Reconciliation of Revenue Surpluses to Net Revenue Cash Flow.
 - a conclusion on your vfm arrangements to say that these arrangements are adequate; and
 - a report on the Best Value Performance Plan confirming that the 2006-07 Plan has been audited.
- 43 The key issues arising from her work are the need to:
- ensure that appropriate supervisory checks are introduced before the statements of account are presented for audit.
 - consider publication of an Annual Report including summary financial information
 - ensure that the figures in the cash flow statement are consistent with other statements in the annual accounts
 - ensure adequate disclosure of income and expenditure from investment properties
 - ensure that appropriate assurances are available to support the Annual Governance Statement and that it is consistent with the guidance: Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007.

Use of Resources

- 44 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).

45 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 Use of resources assessment

Element	2008	2007
Financial reporting	1 out of 4	2 out of 4
Financial management	2 out of 4	2 out of 4
Financial standing	3 out of 4	3 out of 4
Internal control	2 out of 4	2 out of 4
Value for money	2 out of 4	1 out of 4
Overall assessment of the Audit Commission	2 out of 4	2 out of 4

Note: 1 – lowest, 4 = highest

- 46 The Council's performance demonstrates an improvement in a number of areas during 2007/08, particularly risk management and value for money. While the Council has high cost services compared with others, and some major services are poor value for money, its overall political and managerial management of value for money is more strategic and it has achieved both financial savings and some marked improvements in delivering better outcomes in services such as strategic housing, homelessness, planning and culture.
- 47 This is been a positive year for the Council and the improvements are evidenced in the increase in the overall value for money score from 1 last year to 2 this year. The overall score on financial reporting deteriorated to an overall 1 this year due to the problems in reconciling the cash flow statement (see paras 18-19 above).
- 48 The Council is now turning its attention to the 2008-09 Use of Resources framework with its new key lines of enquiry and emphasis on outcome focus.

Looking ahead

- 49 The public service inspectorates have developed 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.
- 50 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 51 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 National Indicator Set and key aspect of each area's Local Area Agreement.

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Closing remarks

- 52 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the audit and governance committee on 24 March 2009. Copies need to be provided to all Council members.
- 53 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	April 2007
Annual Governance Report	September 2008
Opinion on financial statements	October 2008
Value for money conclusion	October 2008
Final accounts memorandum	Not yet Issued
Use of Resources	January 2009
Data Quality	February 2009
Westgate Development	March 2008
Income, Fees and Charges	September 2008
Asset Management	September 2008
Inspection Report Strategic Housing Services	August 2008
Annual audit and inspection letter	March 2009

- 54 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

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

R C Hathaway, Comprehensive Area Assessment Lead (CAAL), March 2009