

Annual Audit and Inspection Letter

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Last saved: 14/03/2007 10:55:00

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Oxford City Council

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As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

Document Control

Filename OxCity AAIL 14 3 07 issue

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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Our overall summary

- 1 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the findings and conclusions from the audit of the Council and from any inspections that have been undertaken in the last year. The letter includes our review of how well the Council has progressed (our Direction of Travel report) and the auditor's assessment of how well the Council has managed its finances (the Use of Resources scores). These latter components will be an important feed into any future decision regarding the potential for a rescoring the Council's Comprehensive Performance Assessment (CPA) category.
- 2 The report is addressed to the Council, in particular it has been written for councillors, but is available as a public document for stakeholders, including members of the community served by the Council.

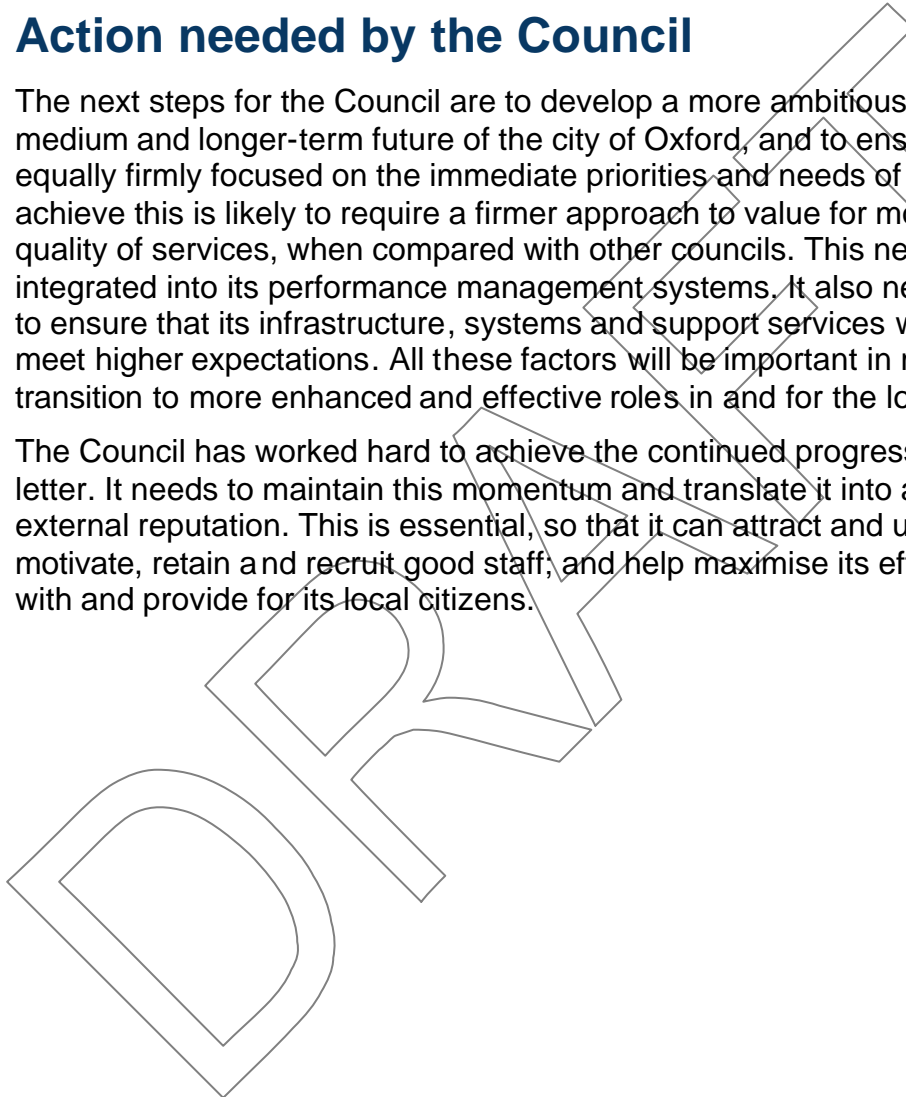
Main messages for the Council

- 3 The Council can demonstrate service improvements and other significant changes in the last 12 months. Its progress against its priorities has become more visible and tangible, and shows consolidation and focus. This is important, as last year we reported that the Council had been unable to demonstrate progress against its priorities. Progress relative to other councils remains less marked however. This suggests that while the Council has maintained its trend of steady improvement, this is not yet on a significant scale - particularly in the context of its relatively high costs.
- 4 Progress is evident in each of the Council's agreed local priorities, reflecting a mix of achievements and investments. Its overall focus on better services - and on reducing inequality through social inclusion - has resulted in changes that local people would recognise and have asked for.
- 5 The Council has become a more confident organisation in the last year, with a significantly increased focus on delivering change, and on the future. And it has shown that it can improve its services in ways that benefit local people.
- 6 The Council is also very aware of the areas where it has not improved, and that previous improvement efforts have not delivered a significant scale of sustained improvement across its services as a whole. The Council has begun tackling this more comprehensively. It is aware that other services are high cost, but until it achieves more significant levels of efficiency savings it may not find the resources to achieve substantial improvements overall.
- 7 These efforts are supported by greater maturity in business planning process, with priorities more established. It gave significant emphasis in 2006 to budget and financial systems, reviewing these and making some timely changes in advance of its budget setting. This has enabled it to improve its approaches to service planning and value for money. It now has a greater sense of financial realism, coupled with recognition across the Council that it can continue to develop its services.

- 8 However, the Council has not yet made firm plans to achieve the depth of efficiency savings that will be needed to secure the resources, skills and outlook for a more significant level of improvement. It has set itself more challenging budget targets, and continues to strengthen its financial governance. It aims to carry out further service reviews in 2007, seeking to provide better services for lower cost. This means that it does not yet have clear improvement plans that are specific and detailed enough to secure more comprehensive changes. However, it appears much more determined to achieve a more significant level of progress.

Action needed by the Council

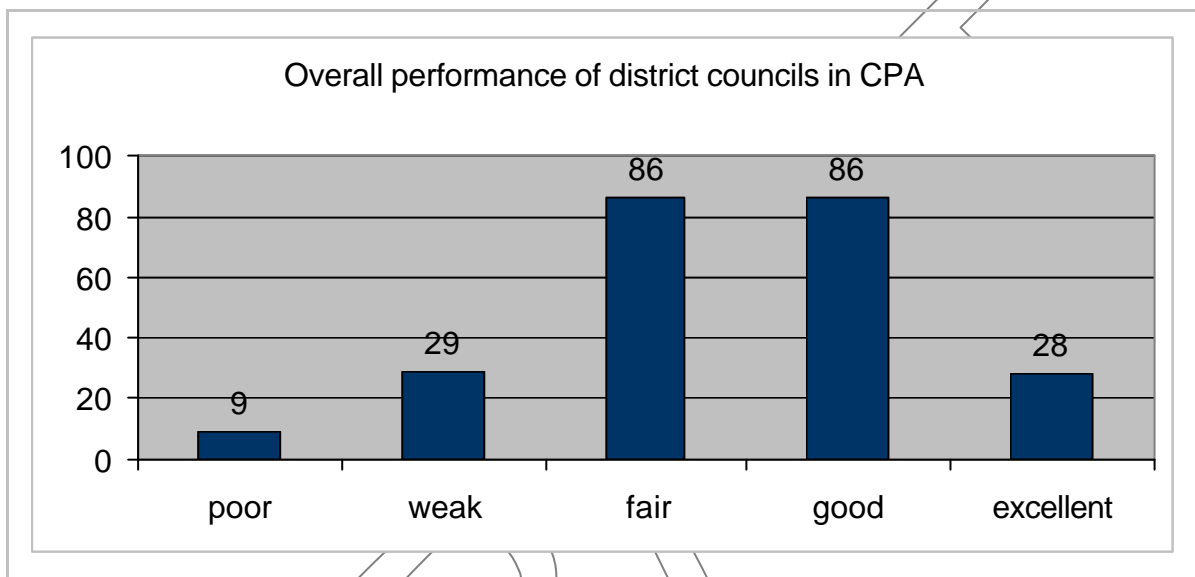
- 9 The next steps for the Council are to develop a more ambitious approach to the medium and longer-term future of the city of Oxford, and to ensure that it is equally firmly focused on the immediate priorities and needs of its citizens. To achieve this is likely to require a firmer approach to value for money, and to its quality of services, when compared with other councils. This needs to be better integrated into its performance management systems. It also needs to work hard to ensure that its infrastructure, systems and support services will enable it to meet higher expectations. All these factors will be important in making the transition to more enhanced and effective roles in and for the local community.
- 10 The Council has worked hard to achieve the continued progress noted in this letter. It needs to maintain this momentum and translate it into a much better external reputation. This is essential, so that it can attract and unite partners; motivate, retain and recruit good staff; and help maximise its efforts to engage with and provide for its local citizens.



How is Oxford City Council performing?

- 11 Oxford City Council was assessed as Weak in the Comprehensive Performance Assessment carried out in 2004. These assessments have been completed in all district councils and we are now starting to update these assessments, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

How the Council has improved outcomes for local people

- 12 The Council has emphasised its improvement priorities, and can demonstrate service improvements and other significant changes in the last 12 months. Its progress against its priorities has become more visible and tangible, and shows consolidation and focus. This is important, as last year we reported that the Council had been unable to demonstrate progress against its priorities.

- 13 Progress relative to other councils remains less marked however. Based on the latest set of national comparative indicators for 2005/06, the Council has only improved in half of these, compared with the average of 58 per cent for other similar councils. It is among the best performers on 22 per cent of these indicators, compared with an average of 31 per cent. Overall, however, it was below average on 58 per cent and among the worst performers on 29 per cent. This suggests that while the Council has maintained its trend of steady improvement, this is not yet on a significant scale - particularly in the context of its relatively high costs.
- 14 Progress is nonetheless evident in each of the Council's agreed local priorities, reflecting a mix of achievements and investments. Its overall focus on better services - and on reducing inequality through social inclusion - has resulted in changes that local people would recognise and have asked for. It has developed a particularly strong commitment to consultation, with staff at all levels in the Council focused on improving what matters to the Council's customers. This is reflected in some improved satisfaction levels. Its priority commitment to social inclusion is evident in initiatives that address inequalities and support vulnerable people, although it is not clear how extensive or significant this is overall.
- 15 In housing, the Council's tenants are more satisfied overall - 80 per cent reporting this in 2006, compared with 73 per cent in 2004. The Council became more accessible and responsive to its tenants in 2006. It set up a new free-phone service, began opening for longer hours and provided a new tenant resource centre. It has also reduced its reliance on temporary accommodation, developed a new initiative for supported lodgings for vulnerable people, and is working in partnership to provide clearer access and choices in affordable housing. These changes also represent both momentum and drive in addressing the recommendations of our landlord services inspection of 2005.
- 16 Its priority to improve the local environment, economy and quality of life has seen it delivering a range of improvements. It has become more responsive through new neighbourhood environmental action teams, and now provides park rangers. Young people have better access to leisure, as swimming is now free for those under 17, and it has provided new play areas. Other access changes include a pilot scheme for free entry to its museums, and an extensive refurbishment of town hall services. It won a local award for tourism awareness. While these changes are commendable, there is still considerable scope to provide better leisure services, and to do so in ways that reflect the full potential of this priority.
- 17 The planning service improved on national indicators in 2006. The Council lost fewer planning appeals, and improved both its planning website and the overall quality of its service. It is now processing three out of four major planning applications within the government 13 week target - compared with only half in the previous year. Its delegation scheme has enabled it to process minor applications quicker, too. The Council has also shown focus in its work with others, in the attention and purpose it has given to proposals to enhance the City's West End through the Westgate Centre redevelopment.

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- 18 The Council's focus on reducing and preventing crime and anti-social behaviour remains a strong part of its partnership working. In 2006 it set up several new neighbourhood community safety initiatives. These include a 24-hour nuisance reporting line; a 'nightsafe' scheme in entertainment areas; work with pubs and clubs; and extensions of its street warden schemes and work with partners to provide neighbourhood policing. It also improved its response to domestic violence - including setting up a specialist court; training volunteers from among its own staff; and raising awareness among diverse and hard-to reach groups. This range shows the Council's commitment to the diverse needs of local people.
- 19 In recycling, new investments helped it achieve a recent increase, from 19 to 27 per cent, through a new scheme being launched in phases up to spring 2007. This aims to take the rate to 40 per cent. The Council is giving leadership to climate change, making changes to its own services; for example, by buying energy from renewable sources and installing solar showers at one of its swimming pools. It is beginning to set higher standards for others by asking developers to commit to renewable energy, launching a new award scheme for local buildings, and developing a guidance pack for staff, tenants, businesses and citizens. These initiatives demonstrate the strength and scale of commitment to this priority, as well as improved outcomes.
- 20 While these steps in service improvement are commendable, they need to be seen in the context of the overall value for money given to the local tax payer. The Council's costs remain high compared with those of other councils elsewhere, and are not matched by the highest quality. Some higher costs may be due to local circumstances, but the Council acknowledges that it does not know to what extent its context is a reasonable and unavoidable factor. It knows that some services, including leisure, are high cost and can be better managed. In other areas it has committed funds to its priorities but, again, is aware that both service improvements and cost savings may be achievable. It has, however, gained greater momentum and ownership over the importance of tackling value for money, agreeing a Council-wide strategy and reviews to tackle it.

Progress in planning and sustaining future improvements

- 21 The Council has become a more confident organisation in the last year, with a significantly increased focus on delivering change, and on the future. And it has shown that it can improve its services in ways that benefit local people. The Council has improved its approach to improvement, with more effective working across its service units and between councillors and staff. Its openness to challenge is much more evident; for example, in increased attention to internal audit; to service and budgetary review; and by learning from team working. This is a significant improvement from earlier last year, when its challenge processes were weak. It still needs to do more to develop and consider options to deliver better services at lower cost, but is much more committed to this.

- 22 The Council's corporate planning has enabled it to secure greater stability in its priority aims and objectives, which it continues to support through consultation. It is now in the third year of an agreed Corporate Plan, and has shown greater focus on its priorities - which has nonetheless been challenged through the diversity of political representation. This focus is an important achievement, given the lack of overall control from any one political party or representative group since the elections of May 2006. However, the Council's reputation is often exposed to public scrutiny through the local media. It needs to find a way to balance this with a more effective demonstration of its accountability to its citizens in order to support its efforts to engage with local people in shaping the services that it designs and delivers in response to their chosen priorities.
- 23 The Council is also very aware of the areas where it has not improved, and that previous improvement efforts have not delivered a significant scale of sustained improvement across its services as a whole. The Council has begun tackling this more comprehensively; for example through a review of its sports and leisure centres and by continued focus on its council tax collection, revenues and benefits services, and the extent to which its services are accessible electronically. It is aware that other services are high cost - including street cleaning and environmental health, and that it could achieve a better return on its assets. But until it makes efficiency savings it may not find the resources to achieve substantial improvements overall.
- 24 In housing it has restructured its services to enable it to focus better on the housing needs of all citizens. This is important, as the delivery of both affordable housing and a planned approach to its private sector are complex challenges, where the Council has not yet realised the resources to deliver its intentions. The restructure also enables it to continue to sharpen its services for its own tenants, where it has already enhanced the value for money of its housing assets.
- 25 It has reinvigorated its efforts to address change by strengthening the ways it manages improvement. A notable feature is the way it has been extending its capacity by strong investment in staff and morale, achieving an improvement culture that has been very effective in harnessing energy and ideas. This includes a very positive approach to engaging with local people. It has improved staff sickness, but has more to do to improve the extent that its own staffing is more representative of the diversity of local people. The speed of its response to ombudsman complaints remains slow. These are important combinations, and reflect the Council's priorities to improve itself as an organisation, as service accessibility, and the way in which staff work directly with customers, play important roles in helping address service equity.

- 26 These efforts are supported by greater maturity in business planning process, with priorities more established. Its focus has been on stabilising these to allow better development and improvement, for example by streamlining its monitoring of fewer targets so that its management is more targeted. It gave significant emphasis in 2006 to budget and financial systems, reviewing these and making some timely changes in advance of its budget setting. This has enabled it to improve its approaches to service planning and value for money. It now has a greater sense of financial realism, coupled with recognition across the Council that it can continue to develop its services.
- 27 Although it has a number of service reviews underway, and has achieved some better value for money already, much of this work has not yet advanced to the point where the Council is able to identify clear areas and priorities for improvement. As a result it has not identified the depth of efficiency savings that will be needed to secure the resources, skills and outlook for a more significant level of improvement. However, it has set itself more challenging budget targets, and continues to strengthen its financial governance. It aims to carry out further service reviews in 2007, seeking to provide better services for lower cost. At this stage, this means that its improvement plans are not specific and detailed enough to secure more comprehensive changes. However, it appears much more determined to achieve a more significant level of progress, and there is a much stronger improvement ethos throughout the Council.
- 28 A higher level of improvement, once achieved, will set the stage for the Council to meet higher expectations. This, and a longer-term focus, will be essential in making the transition to more enhanced and effective roles in and for the local community.

Service inspections

Oxfordshire Waste Partnership

- 29 At the end of August 2006 the Audit Commission published its inspection report of the Oxfordshire Waste Partnership (OWP). We assessed the OWP as providing a 'fair' service with 'uncertain' prospects for improvement.
- 30 The OWP was assessed as providing a 'fair service' because while individually councils in Oxfordshire had delivered some good service outcomes such as high recycling rates, the OWP had made little contribution to overall outcomes. The OWP had little influence over the performance of its constituent councils, which was variable across councils and no significant improvements in value for money were being delivered through partnership working.
- 31 Prospects for improvement were assessed as 'uncertain' because the OWP had not yet agreed plans and a coordinated approach to recycling, composting and waste treatment to reduce waste going to landfill. However, prior to publication of the inspection report there was an increased focus and momentum at addressing this through strategy development work that was underway.

- 32 Publication of the inspection report concluded a significant piece of work agreed between the Audit Commission and Oxfordshire councils. The focus of the work was to inspect combined waste management services in the County to assess the effectiveness of the OWP. A key objective of the inspection was to help the partnership and its constituent councils to address the strategic issues they face and to enable a better focus on partnership working.
- 33 The inspection was initiated in 2004/05 and was carried out in three phases. Phase 1 and 2 provided challenge and support by identifying key issues that helped or hindered the effectiveness of the partnership and made recommendations to help the OWP and its partner councils improve services. Phase 3, the final part of the inspection resulted in a scored published inspection report.
- 34 Progress since the inspection is reported in the direction of travel section of this letter.

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Financial management and value for money

- 35 As your appointed auditor I have reported separately to the Audit and Governance Committee on the issues arising from our 2005/06 audit and have provided:
- an unqualified opinion on your accounts;
 - a qualified conclusion on your vfm arrangements on the grounds that the Council has yet to put in place arrangements to manage and improve value for money and needs to fully embed a system of risk management throughout the organisation; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 36 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).
- 37 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 scores

Element	2007 Assessment	2006 Assessment
Financial reporting	2	1
Financial management	2	2
Financial standing	3	2
Internal control	2	1
Value for money	1	1
Overall assessment of the Audit Commission	2 out of 4	1 out of 4

(Note: 1=lowest, 4=highest)

- 38 There has been some significant improvement compared to the previous year, particularly within internal control. Key improvements include:
- the operation of a more embedded and effective Audit Committee and internal audit review process;
 - the implementation of an assurance framework throughout the organisation to support the Statement of Internal Control;
 - a comprehensive review of the Council's constitution;
 - the development of a formal statement on the robustness and assumptions made in the budget setting process including the level of retained balances;
 - improvements in the quality of financial statements; and
 - the publication of summary financial statements for distribution to a range of stakeholders.
- 39 The overall score for value for money remains unchanged, as the Council's costs and performance continue to compare unfavourably with other Councils on a range of vfm indicators.
- 40 However, the Council is now strongly aware that it needs to address its vfm and improve services. It has established a strategy for this. This has included focusing on further understanding its detailed costs, and initiating a systematic cross-party scrutiny challenge process for all directorates, in preparation for a more challenging 2007/08 budget. It has also commissioned a series of vfm reviews, focusing in different ways on its higher cost services. This shows a significant increase in the organisational attention to vfm, as well as ownership across councillors.
- 41 We identified a number of improvement opportunities:

Financial reporting

- ensure the accounts presented for audit are subject to supervisory review, and free from material error;
- publish an annual report or similar document, which includes summary financial information, designed to be understandable and informative and accessible to members of the public.

Financial management

- ensure corporate business plan projections take account of the revenue implications of capital schemes, risk assessment and contingency planning;
- ensure budget monitoring is informed by risk assessment;
- allocate member responsibility for the Council's asset management;
- implement the whole-life costing for investment and disposal decisions.

Financial standing

- establish challenging targets for income collection, budget variances, prudential framework indicators and capital programme management and ensure monitored regularly.

Internal control

- develop the risk management system further and ensure that it is fully embedded across the organisation;
- promote an antifraud and corruption culture throughout the organisation and ensure that internal audit can demonstrate that counter fraud and corruption work is resourced.

Value for money

- ensure that plans and actions to manage vfm lead to improved outcomes;
 - deliver the strategy and plans to manage vfm, and ensure these become a stronger part of a more integrated - and aspirational - performance management culture, focused on better services for local people.
- 42 A separate report detailing with areas for further focus will be issued to the Council shortly.

Conclusion

- 43 This letter has been discussed and agreed with officers. A copy of the letter will be presented at the Audit and Governance committee on 22 March 2007.
- 44 The Council has taken a positive and constructive approach to our audit and inspection I would like to take this opportunity to express my appreciation for the council's assistance and co-operation.

Availability of this letter

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

A.P. Burns
Relationship Manager